

**Victorian Government Response to the Economic
Development and Infrastructure Committee
(EDIC)**

**Inquiry into Local
Economic Development
Initiatives in Victoria**

JUNE 2014

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Introduction

The Victorian Government welcomes the report of the Economic Development and Infrastructure Committee's *Inquiry into Local Economic development Initiatives in Victoria* as a valuable contribution to our understanding of issues relating to local economic development in Victoria. The Committee's detailed investigation into local economic development initiatives and the role of economic development strategies of local councils, and Victorian and Australian Governments, is to be commended.

The Victorian Government is working hard to build a strong Victorian economy, investing at record levels in infrastructure, leading the nation on education and health reform, and opening up trade and investment opportunities with an extensive program of international engagement.

The Victorian Government continues to work closely with the Commonwealth Government towards strengthening Victoria's long term competitiveness. A number of prioritised infrastructure projects have been identified as key potential drivers of economic development in Victoria, bringing with them the dual benefits of increased employment opportunities while delivering productivity enhancing infrastructure that will boost the State's economic growth in the longer term. The Victorian Government also recognises the importance of improving human capital through investment in skills and education infrastructure, and addressing high business costs that are caused by regulation and labour market inefficiencies, as key factors that will benefit the State's economic development.

As outlined below, the Victorian Government has released several recent policies that provide strong strategic direction to economic development in the State.

- **Plan Melbourne:** The new metropolitan planning strategy outlines a clear approach to integrated land use, infrastructure and transport planning to manage population, employment and housing growth over the next 40 years;
- **Victoria the Freight State:** The Government's freight and logistics strategy, which outlines the long term strategy to improve freight efficiency, grow productivity and better connect Victorian businesses with local, national or international markets;
- **The Victorian Budget 2014-15 - Building a Better Victoria:** The Government will invest up to \$27 billion in a program of major new infrastructure projects that will create jobs, boost productivity and improve liveability for all Victorians. This includes up to \$11 billion for the Melbourne Rail Link (including delivery of the Airport Rail Link) to increase the capacity of Melbourne's train network and \$8-\$10 billion for the East West Link – Western Section to improve reliability and provide connectivity between manufacturing and logistics precincts on Melbourne's fringes. In addition the Budget provides funding for a range of smaller projects including up to \$850 million for the CityLink-Tulla Widening project, in partnership with the private sector, to ease congestion and move people and freight to and from the airport faster and \$685 million for the level crossing removal program to remove a further four level crossings;

- **Regional Growth Plans:** Eight Regional Growth Plans, which provide broad direction for land use and development across regional Victoria, including more detailed planning frameworks for key regional centres; and
- **Growth Corridor Plans:** Integrated land use and transport plans that provide strategies for the development of Melbourne's outer metropolitan growth corridors over the upcoming 40 years.

On 20 June 2012, the Economic Development and Infrastructure Committee (EDIC) received a reference from the Victorian Parliament to inquire into local economic development in Victoria. The Victorian Government welcomes the opportunity to respond to the Committee's recommendations and to contribute to this important discussion.

The terms of reference required the Committee to inquire into and report on local economic development initiatives in Victoria. In particular, the Committee was requested to:

- (a) examine the range of existing local economic development programs being carried out in Victorian municipalities;
- (b) examine the appropriate role of local government in generating economic development and review the allocation of responsibility in this area with the State Government;
- (c) examine whether the role of local government in rural and regional areas has different economic development tasks to that of metropolitan based municipalities;
- (d) identify the barriers to local economic development, including compliance costs for business and planning delays, in operating in local municipalities and develop solutions to address these barriers;
- (e) examine ways in which municipal councils and the Victorian Government can jointly support local economic development, enhance and promote employment and attract new investment, especially in localities with emerging economic potential; and
- (f) investigate best practice local economic development initiatives relevant to the terms of reference.

The Inquiry focused on the role councils play in fostering local economic development and what other levels of government, along with the private sector and peak bodies, can do to encourage businesses to establish and remain in a locality. This report outlines how councils can and should do more and ways in which all levels of government can work together to better coordinate local economic development strategies.

The Committee undertook a thorough examination of the economic development at the local level including the strategies and approaches of local governments in Victoria.

The Victorian Government recognises that during the Inquiry, the Committee consulted widely having met with and taken evidence from 73 witnesses from 48 organisations.

The Victorian Government also notes that the Committee undertook an extensive study tour in Europe (Manchester, London, Amsterdam and Berlin) where they met with government departments, industry associations, research groups, local businesses and academic representatives.

In its final report the Committee notes that there are *“a number of councils that perform particularly well when it comes to economic development initiatives”*. They also found that performance varies from council to council across the state, with some councils performing less well than others.

The Committee acknowledges that the capacity and resources of local government authorities varies greatly from municipality to municipality, and considers it the responsibility of each local council to contribute appropriately to a broader cooperative economic development framework.

The Committee recommends that this should be undertaken through the development of partnership approaches that are supported across government, business, industry, and the wider community.

The challenge identified by the Committee is to ensure these arrangements are flexible, innovative and reflective of the needs of local communities.

This response is divided into seven sections according to recommendations that relate to:

- Clarifying the roles of government, the private sector and the community in economic development;
- Reinforcing the importance of economic development for communities;
- Promoting and strengthening collaboration and partnerships with the private sector;
- Infrastructure funding and delivery mechanisms;
- Improving investment attraction schemes;
- Improving the Victorian regulatory environment; and
- Local government electoral reform.

The Victorian Government supports the majority (37) of the Committee’s 43 recommendations. Of the 37 that the Victorian Government supports, it:

- fully supports 19 of the recommendations;
- supports-in-part nine recommendations; and
- supports in principle a further nine recommendations.

In total there are six recommendations (numbers 3, 5, 7, 8, 33 and 34) which the Victorian Government does not support.

Clarifying the Roles of Government, the Private Sector and the Community in Economic Development

Recommendation 1

The Victorian Government works with local councils to produce an effective definition of economic development which will guide all policy and program development in this area. Further, any such definition should recognise that growing business and jobs through sustainable economic development is the business of everyone including all levels of government, the private sector and the wider community.

This recommendation is supported in principle

The Victorian Government supports in principle the idea of producing an effective definition of economic development. The Government understands that the role and definition of economic development at the local government level has been the subject of considerable discussion and debate in recent years and the Government acknowledges its importance.

The Government also notes, however, that economic development policy and programs are usually developed in response to specific, locational and point of time issues and objectives that vary considerably from one local government area to another. Policy and programs are also usually created for a limited duration and with limited resources. Therefore, the Victorian Government is of the view that any process of working with local governments to produce a definition should occur with minimal use of resources and instead draw from the range of pre-existing definitions that are currently being used by a range of other organisations.

For example, the Government endorses the use of the definition of local economic development that was adopted and used in the 2008 Victorian Parliamentary Inquiry into Local Economic Development in Outer Suburban Melbourne¹. That Inquiry found that local economic development is an internationally recognised concept with a recent and evolving history.

For the purpose of their inquiry the Committee used the World Bank's definition of local economic development, which the Government views as adequate to meet the intent of recommendation 1 of this Inquiry. The working definition of economic development is:

*“to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-government sectors partners work collectively to create better conditions for economic growth and employment generation”.*²

As set out above, economic development is a process that can create significant positive benefits for local communities over time. As such, economic development should undoubtedly be an area of interest and importance to all local governments, the private sector and the wider community.

¹ Parliament of Victoria, Outer Suburban Interface Services and Development Committee Inquiry into Local Economic Development in Outer Suburban Melbourne, September 2008, page 58

² Gwen Swinburne, LED Quick Reference, Urban Development Unit, The World Bank, Washington DC, January 2006, page 3

Since 2010 the Victorian Government has implemented a broad suite of policies and strategies that provide a framework for the State's sustained growth and prosperity. These include:

- the Government's economic and fiscal strategy;
- **Plan Melbourne**;
- the freight and logistics plan **Victoria the Freight State**; and
- the eight **Regional Growth Plans**.

Developed in conjunction with the local community and businesses, these strategies and plans provide the basis for Victoria's long-term development.

Recommendation 2

The Victorian Government works with local councils to support the development of an innovative and agile entrepreneurial culture within Victorian cities and communities.

This recommendation is supported

The Victorian Government recognises the importance of developing an innovative and entrepreneurial culture within Victorian businesses and the community in driving longer term economic and employment growth. To help embed and drive this cultural change the Government has put in place several programs and initiatives that respond to recognised market gaps and impediments to the more widespread adoption of a series of innovative and entrepreneurial activities. In delivering these programs the Government will continue to work with local councils and other community and business organisations to support the development of an innovative and agile entrepreneurial culture within Victorian cities and communities.

The Department of State Development, Business and Innovation (DSDBI) continues to work with a range of local councils, small businesses and community organizations to deliver a range of programs that aim to develop an innovative and agile entrepreneurial culture in businesses and workforces within Victorian cities and communities.

The Government's \$16 million **Driving Business Innovation Program** supports Victorian businesses to develop new products and services for government customers. The program matches dynamic Victorian small and medium enterprises (SMEs) with Victorian Government agencies to develop technology solutions for public sector service delivery challenges. The program provides support at critical stages along the commercial development pathway for new products or services – from the initial 'concept' stage into 'market ready' technology.

The **Health Market Validation Program** is a flagship initiative under Victoria's Technology Plan for the Future – Biotechnology. In May 2013, the Government announced its support for 12 feasibility study projects with funding of \$100,000 per project. The program offers \$15 million in competitive grants to encourage innovation in health care and builds on the structure of the success of the Market Validation Program pilot. The Victorian Government is seeking solutions to healthcare challenges through the program in order to:

- Achieve better health care outcomes;

- Improve healthcare service delivery; and
- Deliver economic benefits for Victoria.

Other key programs include:

Innovation Voucher Program and the Technology Voucher Program – these two initiatives assist companies to develop new and improved products, processes and services that will enhance their productivity and competitiveness through the use of leading-edge technologies. The programs provide Victorian businesses with improved access to the state’s extensive research and development and technology expertise in order to support innovation.

The **Innovation Skills Voucher Program** assists businesses in developing and commercialising new products and process to improve productivity and competitiveness. During 2012-13, 100 vouchers were awarded under the **Innovation Voucher Program**, including:

- 62 small and medium-sized businesses were awarded Business Research and Development vouchers with a total value of around \$1.44 million, to access research and development facilities and expertise;
- 38 small and medium-sized businesses and research organisations were awarded Innovation Skills vouchers with a total value of more than \$344,000. Almost one in three applications were from regional Victoria; and
- 69 suppliers were listed on the business Research and Development voucher supplier directory linking them with business networks, while 20 suppliers are approved to deliver skills development activities and programs for Innovation Skills vouchers.

The Government also provided assistance through the **Technology Voucher Program** that can be used to explore how cutting-edge technologies can be used to develop new and improved products and processes. During 2012-13, 54 vouchers were awarded under the **Technology Voucher Program** including:

- seven companies were awarded a total of more than \$1.6 million Technology Implementation vouchers worth up to \$250,000 each.
- 38 companies were awarded Technology Development Vouchers worth approximately \$1.8million in total to assist them in developing or integrating technologies into new or improved products, processes and services. More than half the companies were in the manufacturing, information and communications technologies (ICT). pharmaceutical and life sciences sectors; and
- nine companies were awarded Technology Student Accelerator Vouchers.

These initiatives promote the existence of a pool of highly skilled and innovative people. This ensures that companies will have access to the necessary skills needed for success in global markets.

The Victorian Government has recently launched a **Smart Design Vouchers program** to provide support to businesses through access to Victoria's design research expertise to refine their products and services.

The Government launched the \$12 million **Victorian Government Technology Innovation Fund**, in December 2013, which provides support to collaborative projects that harness new technologies to transform government service delivery. The Fund forms part of the government's commitment to generating higher levels of productivity, improving service delivery and responding to citizen expectations through the innovative use of ICT.

The Government has set up a \$13 million **Digital Futures Fund** to support collaborative projects that transform business practices and deliver productivity benefits to Victorian SMEs through developing ICT solutions. The first funding round saw \$900,000 awarded to ICT projects involving more than 17 partners across the warehousing, automotive and manufacturing sectors.

Having been run successfully in 1995-2007, the **Streetlife** competitive grants program recommenced in 2012 with funding of \$6 million over four years to help revitalise local Victorian shopfront traders through targeted business improvement projects.

Streetlife helps to build sustainable neighbourhood shopping precincts and can also assist local enterprises to improve their business skills, improve productivity and become more sustainable.

Under the program, local councils and existing business and trader associations can apply for grants of up to \$20,000 on an 80:20 matched basis. Additional grants of up to \$5,000 are available to working groups looking to form a new business and trader association.

Through the program, local councils and business and trader associations work with retailers in local shopping strips to identify local retail issues and key areas for improvement. Strategies to directly address these issues are developed in collaboration with the local retailers and **Streetlife** grant applications are made in accordance with the **Streetlife** guidelines.

Successful projects are required to demonstrate actual economic benefits such as: increased sales in the shopping strip; increased customer foot traffic; increased local investment; and increased employment.

Forty-six councils and 18 business and trader associations have been successful in securing close to \$1 million in funding since 2012 with projects delivered across the State.

Grow Your Business is a \$1 million per annum program to help small businesses develop and implement strategies to become internationally competitive. A range of planning and management services are offered with approximately 80 matched grants per annum. **Grow Your Business** is a program designed to help small businesses develop and implement strategies to become internationally competitive. A range of planning and management services is offered. Businesses can engage the services of an independent specialist to undertake either one-on-one or group programs.

Recommendation 3

The Victorian Government establishes a financial commission to investigate financial reform of the local government sector with a view to linking greater fiscal authority to prescribed economic development outcomes on the basis of fiscal neutrality.

This recommendation is not supported

The Victorian Government does not support the creation of a financial commission to investigate financial reform of the local government sector.

The creation of a local government financial reform commission would require significant administrative resources. The cost to the Victorian Government in the establishment and maintenance of such a commission would be significant.

There may be scope to encourage local governments to adopt recommended economic development outcomes through the grants system.

The Victorian Government notes that the Committee met with the Chair of the London Finance Commission (LFC), which was established by the Mayor of London in 2012 to investigate possible future funding arrangements for the City of London, in particular granting of greater powers to raise taxes. This process is part of a wider research project exploring the implications of a potential devolution of powers to the City of London at some point in the future.

The United Kingdom's governance structures differ significantly from Australia's. This is particularly evident at the local level where local councils in the UK have less autonomy in relation to funding and raising revenue than those in Victoria or Australia more generally.

By contrast, fiscal responsibility in Victoria is devolved to a much larger extent because councils have greater freedom in determining the rates they collect. Local governments currently have the ability to raise revenue through general rates, municipal charges, service rates, service charges, and other special rates, charges, fees and fines.

Although the majority of council funding is generated locally (for example, in 2011-12 rates, charges, fees and fines accounted for approximately 68 per cent of councils' funding), there are variations from the Victoria-wide average:

- smaller rural councils typically receive higher proportions in grants, and have lower reliance on rates;
- Melbourne City Council and outer fringe councils receive larger amounts in other revenues (such as car parking, and developer contributions); and
- developing metropolitan councils often have a higher reliance on rates.

The Victorian Government considers that the goal of fiscal neutrality to be unrealistic for most local councils.

Wherever possible the investigation of reform within the local government sector should take place within the existing structures and institutions established for governance at the state and local level.

Recommendation 4

The Victorian Government requires all local government authorities to actively pursue economic development goals that align with identified economic development priorities, including those of other levels of government.

This recommendation is supported in principle

The Victorian Government supports in principle, the alignment of local economic development goals with identified economic development priorities including those of other levels of government through the recently released **Planning Policy Framework (PPF)**.³

The **State Planning Policy Framework review** and advisory committee was established in July 2013 and has produced the draft PPF document which proposes to revise and better integrate the previous **State Planning Policy Framework** and **Local Planning Policy Framework** documents. One of the objectives of the draft proposed **PPF** is to provide a system which links state, regional and local policy themes to sit together in a cohesive policy narrative.

Once fully adopted, the **PPF** will link state level strategic economic development priorities such as those set out in **Plan Melbourne** and the eight **Regional Growth Plans**, to local policies in a non-prescriptive manner which will allow local councils appropriate flexibility in addressing specific local issues.

Recommendation 5

Section 3C of the Local Government Act 1989 (Vic) be amended to reinforce the pursuit of economic development as a distinct objective for local councils.

This recommendation is not supported

The Victorian Government does not support amending Section 3C of the *Local Government Act 1989* (Vic) (the Local Government Act) noting that section 3C of the *Local Government Act 1989* (Vic) already sets out economic development as an objective for councils. For example, the Act states that Council must have regard to the following objectives:

- to promote the social economic and environmental viability and sustainability of the municipal district (section 3C (1) (a)); and
- to promote appropriate business and employment opportunities (section 3C (1) (d)).

The Victorian Government also notes that other mechanisms for ensuring councils place the appropriate emphasis on economic development are currently being introduced. For example, the **Local Government Performance Reporting Framework**, which commences on 1 July 2014. These mechanisms should be fully implemented and reviewed before considering legislative changes.

³ The Draft PPF is currently released for public consultation.

Recommendation 6

The Local Government Act 1989 (Vic) be amended to require local government authorities to prepare a separate economic development strategy that compliments [sic] the Council Plan required under section 125 and the Strategic Resource Plan required under section 126.

This recommendation is supported in part

The Victorian Government notes that local councils are currently required by the Local Government Act to prioritise economic development objectives and to prepare economic development planning strategies that complement Council Plans and Strategic Resource Plans. However, the Victorian Government is of the view that amendment of the Local Government Act to require preparation of a separate economic development strategy may unnecessarily increase red tape, and create additional costs to Government to implement.

Many local government authorities are currently in the practice of developing specific economic development focused strategies or plans, and that examples of best practice have been highlighted by the Committee in its report. Given that strategic planning and economic development resources vary from council to council and that the requirements of economic development planning documents also vary, some local councils may integrate their formal economic development objectives into broader policies.

Recommendation 7

Following the amendments to the Local Government Act 1989 (Vic) proposed above, appropriate sanctions be developed to ensure that all Victorian municipalities prioritise economic development as a core goal.

This recommendation is not supported

The Victorian Government supports the prioritisation of economic development as a core goal of local government, and continues to work collaboratively with local councils to develop the **Local Government Performance Reporting Framework (LGPRF)**. This includes specific economic development performance criteria. As such, the Victorian Government does not consider it necessary to impose sanctions on Victorian municipalities to achieve these objectives.

The **LGPRF** is being developed to ensure that all councils are measuring and reporting on their performance in a consistent way. The **LGPRF** includes the following specific economic development performance criteria⁴:

- Participation: Participation of businesses in council funded business development activities;
- Service standard: Delivery of planned council business development activities;
- Service cost: Cost of economic development services; and
- Economic activity: Change in number of businesses located in the municipality.

The **LGPRF** also sets out a requirement to monitor several additional performance indicators which are factors that influence economic development, including:

- Expenditure on council services per head of population;
- Infrastructure per capita;
- Population density per road capacity;
- Socio-economic disadvantage; and
- Local council governance.

The **LGPRF** is enabled by the *Local Government Amendment (Performance Reporting and Accountability) Act 2014*. Its development and implementation is being carried out in five stages from framework development towards full council reporting in 2015.

Recommendation 8

Section 95A of the Local Government Act 1989 (Vic) be amended to ensure that clear economic development targets form part of the performance criteria of all relevant senior council staff, including the Chief Executive Officer.

This recommendation is not supported

⁴ Local Government (Planning and Reporting) Regulations 2014 Exposure Draft , Schedule 2

The Victorian Government supports the development of clear economic development goals and targets for councils. The Victorian Government does not support the inclusion of economic development targets in the performance criteria of senior council staff and does not support amending the Local Government Act to require such targets.

The Victorian Government supports the role that councils take in determining and reviewing the content of Chief Executive Officers' (CEOs) performance plans, and supports the role that CEOs or other designated officers take to decide the content of the performance plans of other senior officers.

Recommendation 9

The Department of State Development, Business and Innovation (DSDBI) and Local Government Victoria support local councils in the preparation of economic development strategies with defined and measurable performance outcomes.

This recommendation is supported in principle

The Victorian Government supports this recommendation in principle, and notes that DSDBI and Local Government Victoria (LGV – which is part of the Department of Transport, Planning and Local Infrastructure) continue to lead and support several strategic Victorian government policies that will strategically guide economic development across Victoria (see below). The Victorian Government continues to work with local councils to develop the LGPRF, which will include several local economic development focused performance measures. (See response to Recommendation 8).

The Victorian Government has released several recent policies that will strategically guide economic development activities in local council areas across the state.

- **Plan Melbourne:** The new metropolitan planning strategy, released in May 2014, integrates land use, infrastructure and transport planning to manage population, employment and housing growth over the next 40 years;
- **Regional Growth Plans:** Eight Regional Growth Plans which provide broad direction for land use and development across regional Victoria, including more detailed planning frameworks for key regional centres;
- **Victoria the Freight State:** The Government's freight and logistics strategy, which outlines the long term strategy to improve freight efficiency, grow productivity and better connect Victorian businesses with local, national or international markets;
- **Growth Corridor Plans:** These four integrated land use and transport plans provide strategies for the development of Melbourne's outer metropolitan growth corridors over the upcoming 40 years; and
- **The Victorian Budget 2014-15 - Building a Better Victoria:** The Government will invest up to \$27 billion in a program of major new infrastructure projects to better link people, products and markets.

Recommendation 10

The Victorian Government works with local government to develop a state-wide framework for benchmarking the performance of Victoria's 79 councils in the area of economic development.

This recommendation is supported

LGV is currently developing the **LGPRF**, which includes several performance measures that focus on economic development. (See response to Recommendation 7).

Recommendation 16

The Department of State Development, Business and Innovation adopts the recommendations of the Auditor-General's Investment Attraction report, to improve the Victorian Government's investment attraction and business support programs, such as the Regional Victoria Living Expo.

This recommendation is supported in part

DSDBI (then the Department of Business and Innovation – DBI) has responded to the Auditor-General's audit report on Investment Attraction. A copy of DBI's response to the audit and its recommendations is at Appendix A of the Auditor-General's report⁵.

Whilst the Department did not embrace the recommendations of the VAGO report, it nevertheless seeks to continually improve its investment attraction and business support functions. Following the Machinery of Government changes announced in 2013, a number of organisational changes were made to the department including the creation of a new division, the Office of State Development (OSD). This consolidated the bulk of investment attraction activities across the department. The role of the OSD is to drive Victorian growth and investment and identify and capture significant investment opportunities for Victoria, from both within Australia and internationally. It also provides an interface with government for business and industry and helps reduce red tape by providing support for the Red Tape Commissioner and other activities.

Recommendation 18

The Minister for Local Government amends the Victorian State–Local Government Agreement to include a definition of the roles, responsibilities and obligations of local and state government in relation to economic development policies and programs.

This recommendation is supported in part

The Victorian Government encourages the application of the existing Victorian State-Local Government Agreement (VSLGA) by local and state government agencies when defining the appropriate roles, responsibilities and obligations in relation to economic development policies and program. However an amendment of the VSLGA to include a definition of the roles, responsibilities

⁵ Ronaldson, H. 2012, Appendix a – Performance Audit – Investment Attraction, in *“Investment Attraction: Victorian Auditor-General's Report August 2012”* [available at <http://go.vic.gov.au/YUqYGQ> accessed 19 December 2013].

and obligations of local and state government, specifically in relation to economic development policies and programs, would be inappropriate and out of context with the broader context and purpose of the document.

The VSLGA does not currently extend to defining roles, responsibilities and obligations of agencies with regard to specific policy and programs. A benefit of the non-prescriptive focus of the agreement with regard to policies and programs is that state and local government agencies are afforded greater autonomy in their design and delivery. Extending the scope of the VSLGA to address specific policies and programs may risk introducing a level of uniformity which may be detrimental to local policy and program outcomes. This approach may also increase the level of red tape and costs to government related to the implementation of policies and programs.

A recent review of the VSLGA found support from across the local government sector, for the document to transition from being largely aspirational to a more operationally focused directive. The draft revised VSLGA retains its core focus on engagement and collaboration between state and local government, setting out principles of engagement and co-ordination, and recommended processes for its implementation.

Recommendation 19

In setting out the roles, responsibilities and obligations of local and state governments in economic development the Victorian Government, with local government and the private sector, identifies local functional economies.

This recommendation is supported in part

The Victorian Government supports economic development approaches that recognise that economic relationships and industry connections are not limited by or defined by the boundaries of local government areas. The Victorian Government also acknowledges the Committee's recommendation that local and state government approaches to regional and local functional economies should be flexible and should seek to build partnerships which recognise the centrality of private sector involvement⁶.

The Victorian Government has expanded its network of Victorian Government Business Offices (VGBOs) to 16 locations across the state. The VGBOs support a network of Business Development Managers across metropolitan and regional offices, who work directly with business to help boost productivity, encourage innovation, develop new markets and identify investment opportunities. During 2012-13 officers in the network met with more than 12,700 Victorian companies in building up a clear understanding of local functional economies and feeding back into the development of policy responses within the Victorian Government.

The Victorian Government has recently announced several policies which will support collaboration with local governments on economic development and infrastructure initiatives that span several local government boundaries. **Plan Melbourne** has established five major metropolitan regions to

⁶ Parliament of Victoria, 2013, *"Inquiry into local economic development initiatives in Victoria, July 2013"* Economic Development and Infrastructure Committee, Page 44.

serve as the geographic basis for identification and delivery of planning focused local economic development initiatives, including definition of major economic precincts and foreshadowed infrastructure development across metropolitan Melbourne. The eight **Regional Growth Plans** provide broad direction for future land use and development across regional Victoria. They have been developed in a partnership between local government and state agencies and authorities through consultation with businesses, the community and key stakeholders.

The **Metropolitan Planning Authority (MPA)** was established in 2013 to lead the Victorian Government's delivery of **Plan Melbourne**, including strategic integration with the **Regional Growth Plans**. The MPA will work closely with and support local councils on state significant and other strategic or significant developments, which may be nominated by state or local government.

Reinforcing the Importance of Economic Development for Communities

Recommendation 11

The Local Government Act 1989 (Vic) be amended to require local councils to make available economic development strategies to their communities both in hardcopy and on council websites.

This recommendation is supported in part

The Victorian Government supports the public release of economic development strategies on local government websites and through the provision of economic development documents and other strategic documents to the public in open and accessible formats. However, the Government does not support an amendment to the Local Government Act to reinforce this activity. This would be an overly prescriptive policy intervention to achieve such an objective, leading to an increase in red tape and the associated costs to government of administering the legislative changes.

This policy outcome can be effectively encouraged through LGV's ongoing consultation with local councils.

Recommendation 12

Local Government Victoria assists local councils to develop a model of consultation which would ensure that economic development strategies produced by local governments reflect priorities and challenges of local business, industry and the wider community.

This recommendation is supported in principle

The Victoria Government supports in principle, that local government economic development strategies should reflect the priorities and challenges faced by local business, industry and the wider community. However, in practice the Government acknowledges the disparity in resources available to various local councils to meet this objective. On models of consultation, LGV has administered the **Community Satisfaction Survey (CSS)** annually since 2001. The **CSS** currently incorporates economic development issues within the survey scope, including questions on:

- Business and community development;
- Tourism;
- Importance of economic development to the community; and
- Council performance on economic development.

Sixty-seven out of 79 local councils are participating in the 2014 **CSS**, which will seek responses from 400 local residents and ratepayers within each municipality. Input from the **CSS** surveys is made available to participating local councils, and this can inform the development of local economic development policies and programs.

LGV allows for councils to request that businesses be surveyed as part of the survey; however, in the 2013 survey no councils requested specific business surveys. This recommendation provides an opportunity for LGV and councils to reconsider the role of the **CSS** and its potential additional focus on business respondents.

Recommendation 13

The Department of State Development, Business and Innovation, in conjunction with Local Government Victoria, conducts a needs assessment to identify what support business needs to promote a culture of enterprise and innovation.

This recommendation is supported

The Victorian Government recognises, as one of the many essential drivers of longer term economic and employment growth, the importance of developing an innovative and entrepreneurial culture within Victorian businesses and the community. DSDBI met with more than 12,700 Victorian companies during 2012-13 to identify particular issues, needs and barriers to growth. The business intelligence gained through this engagement is then directly fed into the development of wider Victorian Government policy and program responses.

In addition, since 2010 the Government has put in place several policies, programs and initiatives designed to encourage and seed widespread innovative and entrepreneurial activity. (see response to Recommendation 2).

In delivering these programs the Government will continue to work with local councils and other community and business organisations to support the development of an innovative and agile entrepreneurial culture within Victorian cities and communities.

In addition, the Government runs a series of small business workshops and seminars to assist businesses at the early stage of innovation, including the new **Commercialising Your New Idea Workshops**. During 2012-13 a total of 4,235 small business operators participated in 360 workshops and seminars. DSDBI also awarded 87 **Grow your Business Grants**, valued at \$1,036,577. The grants help small businesses develop and implement strategies to become internationally competitive.

DSDBI's **Mobile Business Centre** visited 103 locations throughout Victoria in 2012-13 (52 regional and 51 metropolitan) and delivered more than 703 mentoring sessions. Mentoring sessions are provided by highly experienced business advisers from the **Small Business Mentoring Service**. The sessions provide small business operators with specialist industry knowledge, and help them gain insights and ideas in a variety of areas, including marketing, finance, human resources and sales.

DSDBI's Business Engagement Model is designed to use business engagement information to feed into programs and services that address the needs of business. The engagement model is set up to identify the needs of businesses in Victoria, including the promotion of a culture of innovation.

DSDBI also facilitates a number of flexible business support programs that are responsive to the needs of businesses in Victoria. A number of initiatives work with Victorian businesses to promote, develop and maintain a culture of enterprise and innovation. An example is DSDBI's events and

seminars program provided by Small Business Victoria. Details of seminars and events can be found at <http://www.business.vic.gov.au/>.

Feedback from industry and businesses on these seminars and events has been very positive and DSDBI will continue to work with businesses and industry to promote, develop and maintain a culture of enterprise and innovation.

Recommendation 14

The Department of State Development, Business and Innovation, in conjunction with Local Government Victoria, reviews the online information provided by local councils to the business community, with a view to improving its clarity, accessibility and relevance.

This recommendation is supported in part

The Victorian Government fully supports the provision of online business information by local governments; however, it is not convinced that the cost and resources required to undertake such a review of the online resources of all 79 Victorian councils, in metropolitan and regional areas, is necessary.

While the majority of local council websites provide access to a range of information resources and services for the business community in their local area, many also provide links to sites with much more comprehensive information and resources such as the Victorian Government business site.

The Victorian Government has put significant resources into making the **Business Victoria Online** website (www.business.vic.gov.au) a comprehensive online resource. The website includes sources of advice and information about government licences and regulatory requirements, available funding sources and grants, specialised workshop and advice sessions, and sector-specific information about key market trends, as well as information about supporting people looking to start and grow their own business.

However, where DSDBI and LGV identify best practice examples of clear, accessible and relevant online information provided by councils for the business community, they will be shared with councils via the appropriate channels.

The Victorian Government acknowledges the examples highlighted by the Committee in its report:

- <http://enterprisenillumbik.com.au/>
- <http://www.bizmaroondah.com.au/>

Recommendation 15

The Victorian Government works with Victorian local councils to establish a one-stop-shop for business contact, support, information and advice within Victorian municipalities.

This recommendation is supported in part

The **Business Victoria** website is the central portal or one-stop-shop for Victorian Government information for businesses. **Business Victoria** is a comprehensive online resource designed to help Victorians start, run and grow their own businesses. The website allows all Victorian based businesses to access information including information about specific industry sectors. It helps businesses identify applicable government licences and regulations and helps them find relevant financial support, advice and training.

Given the considerable resources and expertise required to provide comprehensive business contact, support, information and advice, Victorian municipalities should complement, rather than seek to duplicate the support offered by the **Business Victoria** website. Most local government websites have sections dedicated to providing advice to business and a large number of sites reference and provide the link to the **Business Victorian** Website, reinforcing its status as the primary one stop shop for business information.

Recommendation 17

The Victorian Government continues to work with Victorian municipalities to stage the Regional Victoria Living Expo.

This recommendation is supported

The Victorian Government will continue to work with Victorian municipalities to stage the **Regional Victorian Living Expo** in 2014. The 2014 Expo was held on 11-13 April 2014 at the Melbourne Convention and Exhibition Centre.

Promoting and Strengthening Collaboration and Partnerships with the Private Sector

Recommendation 20

The Victorian Government develops a process to ensure that all Victorian municipalities and the private sector have regular input into identifying local economic development priorities that inform the state-wide economic development framework.

This recommendation is supported

The Victorian Government operates the Business Engagement Model (BEM) as a formal and ongoing business consultation process which provides the opportunity for businesses to identify local economic development priorities that inform the Victorian Government's policy development. Additionally, there are a number of separate formal avenues available for Victorian municipalities to engage with the Victorian Government to provide input on economic development issues.

The BEM is delivered through a network of 16 VGBOs. The BEM is designed to support a more productive and competitive economic environment for businesses by providing regular opportunities for engagement with government. The dialogue captured through the BEM may inform a range of policy issues, which are often directly related to economic development. The BEM is administered by a network of Business Development Managers that directly engage with over 12,700 businesses each year. These Business Development Managers are also in active contact with economic development officers from local councils.

LGV works co-operatively with Victoria's 79 local councils and in partnership with the local government sector to improve business and governance practices that maximise community value and accountability. This includes facilitating consultation and collaboration between local government and the Victorian Government.

The Local Government Ministerial and Mayors Forum is an annual forum which provides consultation between local government and the Victorian Government on key issues of importance to both sectors of government.

The Government has also established a **Local Government Ministerial-Mayors Advisory Panel (MMAP)** to provide high level advice on the range of issues which impact on and require a partnership with local government. The Panel of appointed Mayors meets with the Minister for Local Government at least five times a year.

The Victorian Government notes the example of the City of Greater Geelong which has adopted a regional approach to economic development and has established productive partnerships with industry and other tiers of government through G21 — Geelong Region Alliance (G21).

Regional Management Forums are the preeminent Victorian Government mechanism for collaboration between senior officers across State, Local and Commonwealth Governments at the regional level. There are 10 forums across the State (5 Regional, 5 Metropolitan) and they play an

important role in ensuring that, together, key government and community players can identify, discuss and coordinate efforts to address priority issues in their local communities.

Regional Management Forums have an important role supporting the State Government's agenda of developing stronger economies and communities.

Recommendation 21

The Victorian Government works with Victorian municipalities and private sector industry leaders to identify ways to harness the knowledge and leadership capacity of the private sector in support of local investment in economic development jobs and growth.

This recommendation is supported

Through the network of Victorian Government Business Offices, the Victorian Government is currently working with many local governments and various business representative organisations to increase the role and contribution of these organisations in developing and supporting local economic development initiatives.

An example of this high level engagement is the recent series of metropolitan regional economic development strategies that were prepared by Regional Development Australia (RDA) in conjunction with local business groups and local councils, and various Victorian Government agencies.

Recommendation 22

The Victorian Government works with local government peak bodies and representative organisations to identify ways to strengthen the relationship between chambers of commerce, retail traders associations and local councils as part of engagement with the private sector to assist local economic development capacity building.

This recommendation is supported

The Victorian Government shares the Committee's view that chambers of commerce and retail traders associations have an important role to play in supporting local businesses, and often work alongside local councils to promote their local areas or improve the amenity of retail spaces.

These organisations are also sources of local knowledge and serve as a meeting place for businesses interested in playing an active role in the wider community.

The Victorian Government also acknowledges that relationships between chambers of commerce, retail traders associations and local councils can assist local economic development capacity building.

The Victorian Government notes the case studies provided by the Committee of successful relationships and collaboration between chambers of commerce and councils.

The Committee highlights the role that RDA committees play in bringing together representatives of business, industry, community groups, education and training providers, and all levels of government to focus on regional development. Business Development Officers from the VGBOs have been actively involved with a number of RDA initiatives, such as developing regional metropolitan economic development strategies, and have been keen to support and strengthen the economic development linkages with all of these parties.

Recommendation 32

The Victorian Government considers ways that small local councils can collaborate to meet the expectations of the community, business, and state and federal governments, including the investigation of adopting shared service models.

This recommendation is supported

The Victorian Government, led by LGV, is facilitating the development of a number of collaborative procurement and shared services projects across local councils. (See Recommendation 38)

Recommendation 37

The Victorian Government works with local government, peak bodies and private providers, to ensure delivery of professional development programs for council personnel, both appointed and elected, that support the adoption of economic development best practice.

This recommendation is supported in part

While recognising the importance of professional development programs for a range of council personnel and elected councillors, the Victorian Government considers that the decision regarding these programs is an individual one, best made in the context of overall career development, council budgets and strategies.

The Victorian Government notes that there is currently a framework for professional development and training established through the Municipal Association of Victoria (MAV), and that (in addition to Victoria's higher education providers) a number of institutions and organisations offer a range of professional development pathways for public sector employees. These include the Australian and New Zealand School of Government, the Institute for Public Administration Australia and the Committee for Economic Development Australia.

Recommendation 38

The Victorian Government works with local government to identify and establish shared services models and joint management initiatives to maximise the use of council resources.

This recommendation is supported

The Victorian Government will work with local government to identify and establish shared services models and joint management initiatives to maximise the use of council resources.

LGV is facilitating the development of a number of collaborative procurement and shared services projects across councils in Victoria.

Thirty-one councils have been successful in their application for LGV funding of \$400,000 from the second Collaborative Procurement funding program to undertake collaborative projects in the 2013/14 financial year. Projects that will be delivered include:

- (1) Collaborative Procurement: Bituminous Road Resealing;
- (2) Collaborative Procurement: WorkCover Agency;
- (3) Feasibility of Biodiesel for Heavy Fleet Vehicles;
- (4) Shared Services: Development and Implementation;
- (5) Collaborative Procurement: Category Management/Parks Services; and
- (6) Collaborative Procurement: Roadmap for Major Works and Services.

The Victorian Government also notes that the provision of shared services and collaborative procurement are supported by the Local Government Act (section 16).

Recommendation 41

The Department of State Development, Business and Innovation works with Victorian local councils and the private sector to support business-led local economic development best practice approaches relevant to functional economic areas.

This recommendation is supported

The Victorian Government acknowledges the positive case studies highlighted by the Committee as examples of Victorian local councils working with the private sector on business led local economic development initiatives.

The DSDBI will continue to work with Victorian local councils and the private sector to support business led local economic development within its current BEM. DSDBI will also engage with and support the MPA in support of state significant economic development initiatives which are set out in **Plan Melbourne**.

The Victorian Government also notes the important role of **Regional Management Forums** as a mechanism to facilitate State Government engagement with local councils.

Recommendation 42

The Department of Education and Early Childhood Development and the Department of State Development, Business and Innovation conduct an assessment of the skills needs of business and industry that meet the needs of the locally-defined economic areas, with a view to aligning education and training opportunities to support local sectors identified for future growth.

This recommendation is supported

The Victorian Government recognises that many of Victoria's regions are undergoing structural change as the local economies adjust to a range of factors including increased international competition, a high Australian dollar and ongoing uncertainty in the global economic outlook. As a result, training delivery and uptake of course offerings differs across regions as the training system responds to the skills and training needs of local employers and industry.

In May 2012, the Victorian Government released the **Refocusing Vocational Training (RVT)** in Victoria reform package. Under this approach the Victorian Government is currently spending a record \$1.2 billion a year on vocational training and targeting 69 per cent of vocational training to courses where their contribution to the Victorian economy and industry needs is high.

The Department of Education and Early Childhood Development (DEECD) has conducted an assessment of regional training market trends and produces a series of publications examining training delivery in each of Victoria's regions in the context of the local population, economy and workforce.

The DEECD assessment combines economic analysis with training data to build a picture of the relationship between the local training system and regional skills needs.

The **Vocational Training: Victoria's Regional Report 2012** produced by DEECD provides a summary of Victorian training market performance and responsiveness to businesses across Victoria's regions.

The report includes training market profiles of the following regions: Loddon Mallee North, Loddon Mallee South, Wimmera Southern Mallee, Central Highlands, Great South Coast, Geelong and Surrounds, Hume, Gippsland, Northern Metropolitan, Southern Metropolitan, Eastern Metropolitan, Western Metropolitan and Inner Metropolitan⁷.

Recommendation 43

The Victorian Government adopts a local economic development model that draws on the best aspects of the United Kingdom's local economic partnerships and the Netherlands' Amsterdam Economic Board, to ensure Victoria's functional economic areas are driven by a business-led organisation that works with government, leading educational institutions, the private sector and the wider community, to identify and implement local economic development.

⁷ DEECD, 2013, Regional Training Market Trends, Department of Education and Early Childhood Development [available at <http://go.vic.gov.au/6zAXs1> accessed 23 December 2013].

This recommendation is supported in principle

The Victorian Government notes the useful work of the Committee in identifying best practices in overseas local economic development systems. However, the Government notes that these examples relate to national economies rather than state based economies and that these arrangements have grown out of location specific circumstances and needs. The Government considers that no single economic development model (“one size fits all”) is appropriate across all local councils. As the inquiry report demonstrates, a range of different approaches is used. As an independent tier of government, local councils should base their strategies on best practice within existing resource constraints.

Infrastructure Funding and Delivery Mechanisms

Recommendation 29

The Victorian Government advocates for a new funding framework, which involves all tiers of government and the private sector, for funding of agreed long term infrastructure priorities.

This recommendation is supported in principle

Australia's growing infrastructure requirements are well documented, as are the consequences associated with under-investment in vital infrastructure. Together, the Commonwealth, state and territory Governments and local councils are searching for ways to deliver this infrastructure. The Victorian Government is working closely with the Commonwealth Government to seek funding solutions to agreed long-term infrastructure priority projects. These projects will all have major impacts on local government.

The Victorian Government recognises that not all the infrastructure that the State needs can be funded through the budget or other traditional means. There is a need to engage with the private sector to bring forward funding options for new infrastructure projects. The Victorian Government has been pursuing opportunities for private investors to contribute to infrastructure projects by allowing a degree of private sector value capture to help fund these projects.

The Government also recognises that there is a need to increase the productivity of the Victorian economy by improving the utilisation of existing and proposed state infrastructure. The Government has outlined in **Plan Melbourne** a clear approach to aligning infrastructure delivery to metropolitan and regional growth needs. **Plan Melbourne** identifies the need for greater use of value capture to change the way city-shaping infrastructure is funded.

To support this approach **Plan Melbourne** outlines the Government's recently announced unsolicited proposal guidelines which welcome proposals from the private sector to deliver new infrastructure or services. The guidelines are designed to capture innovation driven benefits and hasten the delivery of better infrastructure and services at the most competitive price. They incorporate a formal application and decision-making process which will consider benefits and costs, including economic benefits, to ensure net community benefits are delivered.

On 6 March 2014, the Victorian Premier announced the first major infrastructure project to be delivered under the government's new unsolicited proposals process. The project, a \$2.5 billion upgrade of the Pakenham and Cranbourne rail lines and services, will be delivered by MTR, with John Holland Construction and UGL Rail Services. It will start in 2015 with completion scheduled by 2019. It will create more than 3,000 jobs during the five year construction phase and significantly increase productivity by removing four busy level crossings. The Government will continue to work productively with the private sector as it brings forward proposals that can help meet Victoria's critical infrastructure needs. It is expected that local government will be able to adapt the framework to suit their own infrastructure projects and priorities.

Additionally, LGV is leading the **Grants Funding and Reporting (GFaR) Project** which aims to map grants and funding provided to local government across the whole of the Victorian Government and to develop consistent reports that accurately reflect the investment that the Victorian Government makes in local government. This project will also inform and facilitate funding reform initiatives with the aim of streamlining Victorian Government processes in allocating funding to local government. The Department of Human Services, with the assistance of LGV, is developing a Single Funding Agreement between the Victorian Government and individual councils. This process will significantly simplify administrative and reporting arrangements associated with funding for local government.

The Victorian Government, through the Victoria Grants Commission, also acts as a conduit for untied financial assistance grants which are provided annually by the Commonwealth Government to local government in Victoria.

Regional Management Forums are the preeminent Victorian Government mechanism for collaboration between senior officers across State, Local and Commonwealth Governments at the regional level. There are 10 forums across the State (5 Regional, 5 Metropolitan) and they play an important role in ensuring that, together, key government and community players can identify, discuss and coordinate efforts to address priority issues in their local communities.

RMFs have an important role supporting the State Government's agenda of developing stronger economies and communities.

The Victorian Government acknowledges that governance structures that promote collaboration are also important for identifying agreed long-term infrastructure priorities. RDA committees are an example of such governance structures.

Recommendation 30

The Victorian Government works with local government and the Australian Government to identify key strategic areas for the rollout of the National Broadband Network to promote enterprise, innovation and jobs.

This recommendation is supported

The Victorian Government has advocated strongly for a fairer share of National Broadband Network (NBN) rollout, particularly in poorly-connected areas of Victoria. On 13 December 2013 the Victorian Minister for Technology welcomed the Commonwealth Government's release of the Strategic Review of the National Broadband Network (NBN), which recommends a new approach to the NBN and confirmed that the Victorian Government will continue to cooperate with the Commonwealth Government on the NBN and champion Victoria's interest in recovering a fair share on NBN rollout⁸.

⁸ State Government of Victoria (2013) Victorian Coalition Government welcomes federal commitment to deliver NBN to those most in need [available at <http://go.vic.gov.au/7Uhfim> accessed 19 December 2013].

Recommendation 31

The Victorian Government continues to explore and support innovative delivery mechanisms for post-compulsory education including via distance and online learning.

This recommendation is supported

The Victorian Government supports the use of innovative delivery mechanisms for post-compulsory education (including via distance and online learning) by education providers. While this is primarily the responsibility of training and education providers, the Victorian Government is keen to explore opportunities to work together to address local challenges.

As an example of the Victorian Government working with education providers in this field, the Minister for Higher Education and Skills, on 7 November 2013, officially launched the **Technology Enabled Learning Centre (TELC)** network to improve regional education. The **TELC** network allows Victoria's regional education providers to expand their course offerings as students choose to connect digitally to lectures or tutorials regardless of their location. The initiative ensures that local students have access to a wider range of vocational and tertiary courses that previously would have been unavailable. Importantly, it ensures that local students in regional areas are able to study closer to home and that their skills are not lost to local areas.

Currently there are nine **TELCs** in Bairnsdale, Lakes Entrance, Cranbourne, Dandenong, Leongatha, Morwell, Pakenham, Sale and Wonthaggi. A further 11 **TELCs** will be operating from Berwick, Chadstone, Churchill, Frankston, Mallacoota, Omeo, Rosebud, Traralgon, Warragul, Yallourn and Yarram by the end of 2014.

Recommendation 39

The Victorian Government works with other levels of government and the private sector to identify and develop a funding framework and a range of funding models (involving contributions from government, value capture schemes and private sector sources) that can be used to finance key infrastructure projects with defined local economic development benefits.

This recommendation is supported

LGV will consider this recommendation along with other potential local reforms as part of the local government funding reform project. (See response to Recommendation 29).

Improving Investment Attraction Schemes

Recommendation 40

The Department of State Development, Business and Innovation works with Victorian councils and the private sector to support investment attraction strategies, including those that leverage off other levels of government.

This recommendation is supported

The Victorian Government, through DSDBI's BEM and its network of VGBOs works locally in close consultation with the private sector to identify investment attraction priorities, prospective projects and attracting new businesses. (See response to Recommendation 19).

Improving the Victorian Regulatory Environment

Recommendation 23

The Victorian Government reviews the process for planning scheme amendments and implements statutory time frames to reduce the time and resources expended in the planning process.

This recommendation is supported

The Victorian Government has taken action to reduce delays and costs in the planning scheme amendment process by:

- Introducing Ministerial Direction No.15 (18 October 2013) to define times for completing key steps in the planning scheme amendment process. The Direction applies to the Minister for Planning, Planning Panels Victoria, and councils;
- Introducing a new streamlined process to enable straightforward planning scheme amendments (including updates, corrections and technical changes) to be prepared and processed by the Minister for Planning quickly, simply and efficiently;
- Streamlining the process for authorising a council to prepare an amendment. If the Minister does not decide a council's authorisation application within 10 business days the council can proceed to prepare the amendment; and
- Reducing delays in the Planning Panel's process by requiring panel hearing dates to be set before public notice of the amendment is given and enabling a standing directions panel to be appointed to deal with preliminary matters for panel hearings.

Recommendation 24

The Victorian Government reviews the guidelines for "Planning permit applications in open, potable water supply catchment areas" in consultation with local government, land and water managers, and local residents to ensure an equitable approach is achieved for developments in open, potable water supply catchments.

This recommendation is supported in principle

The Victorian guidelines for planning permit applications in open, potable water supply catchment areas were last revised in November 2012.

The revised guidelines support water corporations relaxing the dwelling density requirement under certain circumstances. One of these circumstances is outlined in Category 4 of the revised guidelines. Under Category 4, the water corporations can consider allowing (i.e. not objecting to) planning permit applications which result in a higher dwelling density of more than 1 in 40 hectares where:

- The relevant local council can demonstrate that it has developed, adopted and is implementing a **Domestic Wastewater Management Plan (DWMP)** that meets the requirements of the revised guidelines (which include the effective monitoring of the

condition and management of onsite treatment systems). The purpose of a DWMP is to identify issues and prioritise actions that lead to improved wastewater management and include implementation timelines;

- The minimum lot size in the planning zone is met as per local planning requirements; and
- The individual proposal does not present an unacceptable risk to the catchment.

The Victorian Government does not intend to revise the guidelines at this time.

Recommendation 25

The Minister for Planning addresses the problem of local councils delaying or refusing applications without justification, which otherwise meet all requirements of the local planning scheme.

This recommendation is supported in principle

The Victorian Government acknowledges that delays in the planning permit process cause frustration and that costs are higher through delay. The Government is taking action to reduce delays and increase certainty in the planning system by implementing reforms that simplify key planning processes and promote quick decision making. Key reforms include:

- Reformed residential, rural, commercial and industrial zones to simplify requirements, allow a broader range of activities to be considered improved the range of zones to better manage growth; and
- The new **VicSmart** streamlined assessment process which will enable straightforward planning permit applications to be assessed and decided by council officers without public notice and in a shorter time frame (10 business days is proposed).

Through clearer, more certain planning provisions and simpler processes there will be less scope for councils to unreasonably and unnecessarily delay or refuse permit applications.

Recommendation 26

The Victorian Government reviews the planning permit appeals process under the Planning and Environment Act 1987 (Vic) to achieve a more efficient and timely approach to objections and applications for review.

This recommendation is supported in principle

The Government supports and is committed to improving the effectiveness of the planning system to provide greater certainty and reduce delays. The new **VicSmart** streamlined assessment process will enable straightforward planning permit applications to be assessed and decided by council officers without third party notice.

Through **Plan Melbourne**, the Government has invited community feedback on applying a code assessment approach to multi-unit development to provide clarity as to the type of development that is acceptable in defined locations. This will provide residents and developers with increased

certainty as to the type of development that can occur in specific precincts. A code assessment approach based on the **VicSmart** system is also likely to reduce the length of the approvals process and reduce associated financing costs for the development sector.

Under another **Plan Melbourne** initiative the Government will continue to investigate mechanisms and reforms that will assist in increasing the capacity of the Victorian Civil and Administrative Tribunal (VCAT) to deal with planning matters in a timely manner.

Recommendation 27

The Victorian Government conducts an annual review of the waiting times for the Planning List at the Victorian Civil and Administrative Tribunal over the next three years to ensure that the government's strategy to reduce waiting times is having the desired effect.

This recommendation is supported

The Victorian Government is committed to improving the efficiency of VCAT to ensure that parties to a planning and environment dispute receive timely resolution of their applications.

A number of initiatives have been implemented that have impacted on the operation of VCAT and in particular the timeliness of the Planning and Environment List (PEL). The first significant change was the re-introduction of the Major Cases List (MCL) on 3 January 2012, as a sub-list of the PEL.

Proceedings can be lodged in the MCL at the election of the applicant in two circumstances:

- (a) in respect of any development in excess of \$5 million or more that does not include a dwelling (within the meaning of the Victorian Planning Provisions); or
- (b) where the estimated cost of the development is \$10 million or more.

The Government expanded the MCL on 1 July 2013 to include applications made under Section 33B of the *Environment Protection Act 1970* and removing the \$5 million dollar threshold for commercial developments.

The MCL is fully self-funded and the initiative has allowed VCAT to utilise Government appropriation funding to increase the resources to hear and determine less complex or standard disputes in a timelier manner.

On 15 February 2012, the Minister for Planning announced that the Victorian Government would commit \$1 million in funding to tackle the backlog in the List. The additional funding has enabled VCAT to reduce the number of pending cases to 1514 in the 2012-13 financial year, down from 1997 in (2011-12). This represents a decrease of 20 per cent from the previous reporting period.

In 2012-13 VCAT finalised 4,023 Planning and Environment list matters, a four per cent increase in finalisations. VCAT has continued to make substantial progress in the 2013-14 financial year, with the number of pending cases further reduced to 1054 as at December 2013. This represents an additional decrease of 30 per cent in the number of pending cases from the previous reporting period.

The introduction of reforms in the *Planning and Environment Amendment (General) Act 2013* has also impacted on the PEL by taking away a number of matters that ordinarily would have required applicants to lodge with the Tribunal. This has resulted in the number of PEL applications commenced as at December 2013 (1220) being 36 per cent lower than at the same time in 2012 (1921).

The change to the legislation is not the only contributing factor for the lower than expected lodgements. There is evidence of a reduction in the number of applications to councils having an effect on the level of development in the State of Victoria, and the introduction of a new fee regime within VCAT may have changed the way parties make application to the Tribunal. (Multiple objectors may combine and make one application.)

The implementation of the Victorian Civil and Administrative Tribunal (Fees) Regulations 2013 has seen an increase in revenue received, which has supplemented the base funding and assisted the Tribunal to process more cases in the PEL.

The time taken for less complex or standard disputes in the PEL to be heard and determined by the Tribunal is currently 20 weeks, down from 46 weeks when the inquiry was hearing submissions in 2012 from the Victorian community.

Recommendation 28

That the Victorian Government reviews legislation and guidelines that are unnecessary barriers to economic development.

This recommendation is supported

The Victorian Government's vision is to have the most responsive and efficient state regulatory system in Australia. This recognises that time and resources that businesses and the community must spend dealing with regulatory requirements may prevent them from focusing on their productive business activities that can create new jobs and investment.

Excessive red tape imposes unnecessary costs on business and is a barrier to productivity improvements. The Government is committed to reducing regulatory costs imposed on businesses, not-for-profit organisations, individuals and government service providers by 25 per cent. In response to a report by Victoria's Red Tape Commissioner in January 2014, the Government announced 36 red tape reforms. The Government is on track to deliver 22 of these 36 reforms before July 2014.

In addition to the **Red Tape Reduction program**, the Government is issuing Ministerial Statements of Expectations (SOEs) to all Victorian business regulators to improve regulatory outcomes and reduce costs on regulated parties.

Recommendation 33

The Victorian Government considers reviewing the Municipal Association Act 1907 (Vic) with a view to modernising it, to ensure its continued value and relevance.

This recommendation is not supported

This recommendation is not supported in the immediate term, noting that, should the need arise, the Victorian Government will consider whether a broader review of the Act is necessary to ensure it remains relevant and the language remains contemporary.

Recommendation 34

The Victorian Government, through legislation, creates a statutory obligation for economic development to be a priority of the Municipal Association of Victoria.

This recommendation is not supported

The Victorian Government does not support introducing legislation to create a statutory obligation for economic development to be a priority of the MAV.

The MAV is an independent peak organisation representing and advocating on behalf of the sector and in this role already supports individual councils to promote economic development.

Local Government Electoral Reform

Recommendation 35

The Victorian Government considers both the benefits and consequences of allowing business tenants who are occupier ratepayers to vote in council elections, and on this basis determines whether or not the Local Government Act 1989 (Vic) requires amendment to extend voting rights.

This recommendation is supported

The independent Local Government Electoral Review Panel is carrying out a comprehensive review of Victoria's local government electoral system. Voter eligibility and the requirements for occupier ratepayers to enrol in order to vote in local council elections are being considered as part of this review. In April 2014 the Panel will report the review findings to the Minister for Local Government for consideration.

Recommendation 36

The Victorian Government undertakes an evaluation of the City of Greater Geelong's recent adoption of a directly-elected mayor, with a view to expanding this electoral reform to other Victorian councils.

This recommendation is supported in part

The Victorian Government introduced the City of Greater Geelong Amendment Bill 2011 to amend the City of Greater Geelong Act 1993 to reconstitute that council can include a Mayor who is directly elected by all the voters of that municipality. Before deciding which model for the direct election of the Mayor was best for Greater Geelong, the Government undertook extensive major stakeholder and community consultation which included the City of Greater Geelong.

The Government will review Geelong's direct election model after two years of operation, which will include to comparing its effectiveness to the Melbourne model. The Government will consider the outcome of the review prior to determining whether the direct election model should be adopted by other Victorian local councils.