



17 November 2014

Professor Ian Harper  
Chair – Review Panel  
Competition Policy Review Secretariat  
The Treasury  
Langton Crescent, PARKES ACT 2600

Dear Professor Harper,

### **Submission to the Competition Policy Review Draft Report**

On behalf of the Victorian Local Governance Association (VLGA), I welcome the opportunity to make a submission to the competition policy review. Please note that these views reflect those of the VLGA organisation and not necessarily of all our member councils.

The VLGA is a peak body for councillors, community leaders and local governments working to build and strengthen local democracy and respond to the governance challenges facing councils in Victoria. The Association does this by working with member councils and partner organisations across three activities: developing local leadership, leading debate on the future of local governance, and building community capacity. A description of our activities is attached.

Local governance is the focal point for the VLGA; how councils govern together with their communities to build strong, inclusive and resilient societies. Responsiveness to community needs, the effective delivery of services, efficient use of public resources and fundamentally democratic participation in local decision making, are the key elements of local governance.

This submission focuses on the implications for how local government work with communities and the broad impact on functional service delivery.

As the most immediate sphere of government, councils have a critical role in shaping lives for the better. I welcome the acknowledgement in the Draft Report of local government's role in implementing aspects of competition policy. The important role of local government is often overlooked. Indeed the first issues paper for the recently commenced Reform of the Federation White Paper has largely ignored the role of local government within the federation, presumably on the assumption that local government is an entirely subservient to state governments.

### **Competition principles and the Australian Council for Competition Policy**

There is broad support for the competition principles contained in Recommendation 1 and the review local government regulation to ensure that unnecessary restrictions on competition are removed, as outlined in recommendation 11.

In particular, I note the contention by the panel that the role of local government should be explicitly addressed when considering competition policy (p. 77). This point is well

made in the following quote (p. 277): “Successful competition policy reform will require commitment and effort from all three levels of government. While there may be a leadership role for the Commonwealth in addition to taking action in its own sphere, leadership will also be required from the States and Territories and local government.”

A number of outcomes necessarily flow based on this recognition of local government. If local government is expected to play a leadership role in implementing competition policy within its own sphere then the sector must be afforded an adequate level of participation in the body charged with driving competition policy into the future. Specifically we recommend that Recommendation 39 on the establishment of the Australian Council for Competition Policy (ACCP) and Recommendation 47 on the governance arrangements for the Council should provide for local government representation or, at the least, participation in the governance or advisory structures of the ACCP.

Further, there are flow-on implications for the current recommendation about competition payments. Recommendation 44 should be redrafted to make it clear that local government are entitled to any competition payments derived from agreed implementation of agreed reform measures.

#### **Local government services**

Local government service delivery currently operates in a period of uncertainty and change. Demographic shifts including population ageing, growth and decline, and increasingly mobility are placing pressure on councils to ensure services are responsive to community needs and are within the capacity of local government to deliver.

Councils are contending with these changes through fostering local economic activity, social connectedness and through planning and providing for infrastructure. However, the capacity to fully address issues and implement solutions is constrained.

Financial sustainability is an immediate pressure on local governance, adversely affecting many councils. Without the ability to deliver on community needs, local government’s capacity to work together with communities is compromised. Effective local governance requires councils to be financially sustainable. In Victoria, local government depends substantially on other levels of government to meet its funding needs.

On average, councils obtained approximately 20 percent of their total revenue from grants from the Commonwealth and the State governments in 2012-13.<sup>1</sup> Small rural councils with dispersed populations, large geographic areas and extensive road and infrastructure commitments have limited opportunities to expand their own source revenue and support from other levels of government is therefore critical. This means they have limited capacity to respond to changes in community needs without the ongoing support of grant revenue.

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<sup>1</sup> Victorian Government Treasury 2014, Budget Paper No.3’, <http://www.dtf.vic.gov.au/files/147fff73-6100-49b9-95a2-a325009f1eef/Service-Delivery.pdf> , pp.337

Similarly, the capacity of councils to work with local commercial and not for profit providers to design and deliver community services is unevenly distributed across the Victorian local government sector. As the draft report notes, local government is a direct provider of essential human services such as health, education and welfare services. It is agreed that a diversity of providers should be encouraged (including not for profit services) and innovation in service provision stimulated (Recommendation 2). However, ensuring access to human services, which are of high quality and delivered on a sustainable basis, should remain the overarching principle of human services.

There are several concerns about the introduction of increased contestability, which should be considered in the implementation plan noted in Recommendation 2.

First, many local government areas, especially in regional and rural Victoria, do not necessarily have the diversity of not for profit or commercial providers to compete for the delivery of human services at the municipal or neighbourhood level. For these councils, their primary obligation is to continue to work with their communities to determine how best to meet local needs - be it through market based mechanisms or continued council provision.

Second, many local government provided-human services are fundamental to the social cohesion of local communities. Any removal or prohibition on local government provision may have the unintended consequence of undermining civic connectedness, which is so central to local government's provision of human services and social infrastructure. Accordingly, the role of local government, as a distinct sphere of government with a diversity of local capacity, needs to be expressly recognised in implementation plans for human services.

We look forward to further opportunities to discuss with the review team the implications of competition policy on Victorian councils and the local communities they serve.

Yours sincerely



Dr Andrew Hollows  
Chief Executive Officer  
Victorian Local Governance Association

# THE OUTCOMES PLAN TO BUILD LOCAL GOVERNANCE



The Outcomes Plan outlines the priorities of the Victorian Local Governance Association (VLGA) in building local governance. It identifies the areas the Association will actively pursue in collaboration with council members and community partners.

This summary snapshot illustrates our fifteen key outcomes grouped under three key themes. For more information, see the detailed plan on the VLGA website.

## DEVELOPING LOCAL LEADERSHIP



### OUTCOMES:

- Skilled and diverse candidates and councillors
- Good governance and conduct
- Active community engagement and participatory democracy
- Effective regional cooperation between councils
- Shared development of community-level governance
- Active community involvement in financial governance

## LEADING DEBATE ON THE FUTURE OF LOCAL GOVERNANCE



### OUTCOMES:

- Robust local government electoral processes
- A rebalanced relationship between local and State Government
- A Local Government Act that supports local governance
- Local government as an equal partner within the Australian Federation
- Linking local and metropolitan governance
- Building a sustainable revenue base for local government

## BUILDING COMMUNITY CAPACITY



### OUTCOMES:

- Enhanced local community leadership
- Local community engaged with service design and delivery
- Stronger local civic life

It is important to strengthen local democracy and to allow councils to govern with their communities.

## Local governance - what is it?

The work of the Victorian Local Governance Association (VLGA) is to help build local governance – the role of councils governing democratically with their communities. We are interested in what needs to be done to support the work of local councils and the work of communities, so together, they can build strong, inclusive and resilient neighbourhoods.

Central to local governance is the important role of local government and how it can advance the interests and needs of a municipality. But equally important to the delivery of local governance is the active participation of local communities on issues that affect their lives and their neighbourhood, suburb or township.

This is why the VLGA focuses both on the councils and communities. To focus only on one aspect is not sufficient; both are required. To govern effectively, the different groups responsible for governance at a community level need to work in collaboration with each other. This includes councils, higher tiers of government, NGOs and other entities which influence local governance.

## Communities across Victoria are changing.

Growth and change are happening at an unprecedented rate. The current period is one of uncertainty for effective local governance.

**Demographic shifts** including population ageing, growth and decline and increasingly mobility are placing pressure on councils to ensure services are responsive to community needs and are within the capacity of local government to deliver.

How to **maintain the liveability and amenity of neighbourhoods and the vibrancy of civic life** are ongoing concerns, given new urgency by problems of environmental degradation and seemingly intractable social disadvantage – the wicked problem variety.

Councils are contending with these changes through fostering local economic activity, social connectedness and through planning and providing for infrastructure. However, the capacity to fully address issues and implement solutions is constrained.

**Financial sustainability** is an immediate pressure on local governance, affecting some council much more than others. Without the ability to deliver on community needs, local government's capacity to work together with communities is compromised. Effective local governance requires councils to be financially sustainable.

In an increasingly complex public sphere, **councils are also called on to collaborate with each other and with both State and Federal Government.** Councils also need to respond to emerging innovations in community-level governance (such as in community banking) and new governance bodies such as the Metropolitan Planning Authority (MPA). All of these changes demand clear cooperation and partnerships.

A final, fundamental challenge for local governance and for public perceptions of councils in general, is the persistence of a **“democratic deficit”**. Community expectations are changing and answering these requires democratic processes that are transparent and inclusive and support wide participation.

