

SUNBURY OUT OF HUME CITY COUNCIL

## Local Government Panel Report

June 2014

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# 1 Letter to the Minister

Monday 30 June 2014

The Hon Tim Bull MP  
Minister for Local Government  
Level 21, 80 Collins Street  
Melbourne Vic 3000

Dear Minister

## LOCAL GOVERNMENT (SUNBURY OUT OF HUME CITY COUNCIL) PANEL REPORT

On the 17 February 2014, the Panel (consisting of myself as Chair, Maxine Cooper and Kelvin Spiller) was appointed by the then Minister for Local Government Jeanette Powell, to conduct a review and make recommendations to the Minister by 30 June 2014 on the creation of a new municipality out of Hume City Council. The Panel is pleased to provide you with its report for your consideration.

The Panel has considered all matters in the Terms of Reference provided. These include:

- ☐ the boundary;
- ☐ method of distribution of assets and liabilities;
- ☐ process for establishing an administrative structure, orderly transfer of responsibility of services in a way that provides minimal interruption in service delivery to residents of either municipality;
- ☐ a process for establishing appropriate rates, fees and charges, matters referred by the Community Consultative Committee; and
- ☐ any other transitional requirements associated with establishing a new municipality.

The Panel has had regard to the economic sustainability of a new municipality and a restructured Hume City Council, reflected on the various communities of interest in the area and considered what other actions need to be taken on other matters as a result of the review.

The Panel believes a new municipality with a boundary that largely reflects the one delineated in the 2013 indicative poll conducted by the Government but with the inclusion of the eastern section of the township of Bulla is sustainable and achievable, providing a number of financial decisions and innovative practices regarding service delivery as detailed in this report are put in place.

The Panel has also provided advice on the appointment of Administrators and transition timelines and recommended to the Administrators to identify innovative methods of service delivery to improve efficiency and effectiveness.

We thank Hume City Council for its cooperation and the Department of Transport, Planning and Local Infrastructure for administrative assistance and advice especially by Colin Morrison, Director Governance and Funding, Local Government Victoria and his staff.

Yours Sincerely



BRIAN HARATSIS  
Chair

Local Government (Sunbury out of Hume City Council) Panel



KELVIN SPILLER  
Panel Member



MAXINE COOPER  
Panel Member

## 2 Executive Summary

The Panel recommends the creation of a new municipality centred on the Sunbury area from 1 July 2015. This view is based on strong 'community of interest' considerations including projected population growth. It also reflects the Panel's opinion that a new municipality will be financially sustainable, providing certain steps are taken regarding the transfer of assets, the raising of revenue and adoption of innovative management practices as indicated in this report.

In considering a name the Panel recommends the new municipality should be constituted a 'City'. Having considered the names of existing townships, historically significant people and landmarks, including the area's indigenous heritage the Panel recommends the new municipality be named the City of Calder.

The boundary recommended for the new municipality generally reflects that delineated in the 2013 indicative poll but including the whole of the township of Bulla. This boundary excludes the site on which Melbourne Airport is located which should remain within Hume City Council for reasons set out in this report. The Panel recommends that inclusion of the whole of the township of Diggers Rest be considered by Government at a future date, subject to residents of Diggers Rest being consulted on this matter.

When determining the boundary of the new municipality the Panel has placed particular weight on 'community of interest' considerations which in the view of the Panel members have been given insufficient weighting in past consideration of local government restructuring in this area. This includes three dimensions of community of interest - perceptual, functional and political. These have been applied and assessed along with other inter-related factors regarding demographic characteristics, topographical features, transport and communication networks and economic sustainability.

These different dimensions of 'community of interest' take into account a sense of belonging to an area or locality which can be clearly defined and reinforced by demographic characteristics, the spatial patterns of human activities and the ability to meet with reasonable economy the community's requirements for comprehensive physical and human services and the ability of the elected body to represent the interests and reconcile the conflict of all its members.

It is the Panel's view that a full assessment with respect to each of the 'community of interest' dimensions and the other inter-related factors mentioned above supports the creation of a separate municipal entity based around Sunbury. This assessment highlighted in respect to the township of Sunbury and those communities adjoining it:

- ☐ similarities in economic and social activities;
- ☐ defined topographical and historical features;

- regular and similar activity patterns of the communities with regard to use of facilities and services provided by local government;
- similar perceptions among residents of all of these communities regarding their local political representation and ability to participate in decision-making (lack of local leadership and lack of input to the development of their community); and
- similar demographic characteristics that are different and distinct from those of other communities within the current boundaries of the Hume City Council.

The Panel determined from the outset the new municipality could be viable if certain criteria were met. These were a continuation of projected strong population growth; the adoption of a cost effective organisational structure and new and innovative ways of service delivery to ensure provision of services at as low cost as possible. This should involve moving away from being a provider to being an 'enabler'. It could include delivering shared services with neighbouring councils, contracting out appropriate services, and/or partnering with community organisations to deliver community services. It also includes development of a sustainable forward capital works program and ensuring an appropriate level of debt from the outset of the new municipality.

The West Growth Corridor Plan developed by the Metropolitan Planning Authority, forecasts strong population growth that will continue well into the future (post 2035). The Panel believes this will achieve the critical mass and economies of scale required to support the creation of the new municipality and a restructured Hume City Council.

The Panel considers the new municipality can be financially sustainable providing the steps recommended in this report are taken regarding the initial transfer of assets and revenue raising as indicated in the financial modelling. In addition, the Panel considers the restructured Hume City Council will be viable.

The Panel considers it reasonable the new municipality has access to a proportion of the annual 'rates in lieu' payment by the Melbourne Airport for a period of 10 years reflecting the fact that the new municipality already receives its equitable share of this income. This will assist in establishing and providing some flexibility with delivery of the known infrastructure priorities of the new municipality. The Panel also considers the split of physical council assets be determined by their location in either the Hume City Council or the area of the new municipality. This means revenue received from the development and sale of property located in Racecourse Road will belong to the new municipality.

The Panel considers an orderly transition of services is possible given the goodwill and cooperation shown to date by the Hume City Council which the Panel expects to continue into the future in respect to Administrators appointed to the new municipality.

The report identifies the transition timelines for the creation of the new municipality; the establishment of services; and actions that will need to be undertaken by the Administrators in identifying different methods of service delivery impacting on efficiency and effectiveness.

A series of Memoranda of Understanding and service agreements will need to be established by the Administrators and the Hume City Council to maintain services post 1 July 2015.

The Panel took the view the existing Hume City Council should remain in place and be subject to as little interruption as possible. However it will be necessary that a review of all Ward boundaries for both Hume City Council and the new municipality be undertaken by the Victorian Electoral Commission prior to the October 2016 Council elections.

The Panel believes the aim of the new municipality should be to create strong practices in relation to community engagement, and that the Administrators immediately put in place a proactive program of community engagement to communicate and receive feedback in relation to future council strategies, plans and other operational issues.

The Panel commissioned Indicative Financial Analysis and Modelling to inform its deliberations. This extracted the 2013-14 budget figures from the Hume City Council for the proposed new municipality. An indicative balance sheet, income statement, and capital works statement have all been prepared and provide a possible financial roadmap for the new municipality.

This financial modelling refines earlier work carried out by KPMG for the Department of Transport, Planning and Local Infrastructure. The Panel believes that with an annual rate increase of 5.5 per cent per annum for the next 10 years, along with the retention of funds from the Racecourse Road project and the transfer of a proportion of the 'rates in lieu' payment from the Melbourne Airport, the new municipality will be financially sustainable.

For the purposes of transition the Panel is of the view that existing local laws and planning schemes in operation in the Hume City Council should continue to apply in the new municipality until changed by the Administrators or the new municipality.

### 3 List of Panel Recommendations

#### New municipality

1. That a new municipality based around the township of Sunbury be constituted on 1 July 2015 and the Hume City Council be reconstituted accordingly.
2. That the new municipality be constituted as a City and named the City of Calder.

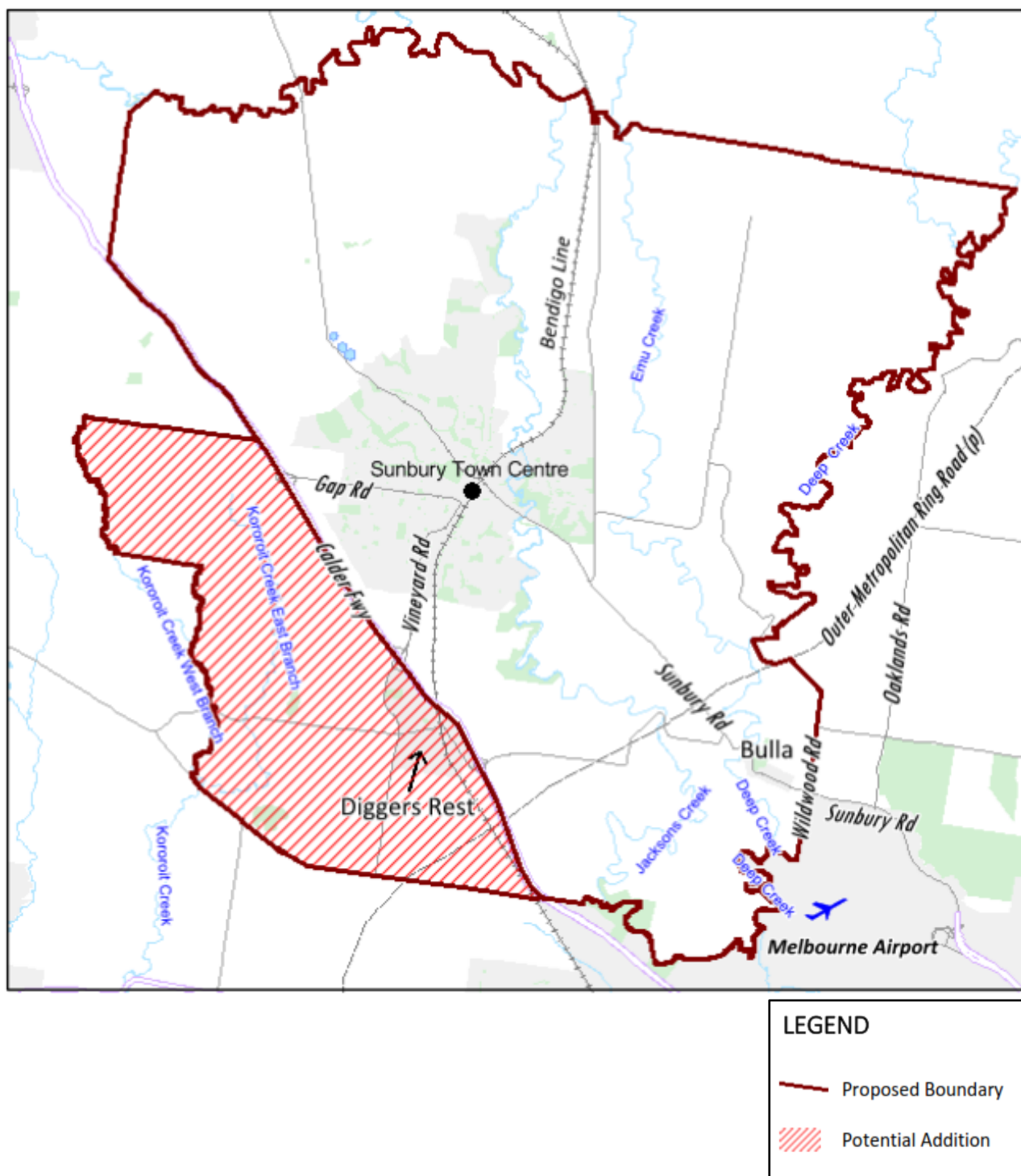
#### Recommended boundary

The Panel notes it has had close regard to the views of the community as expressed in a range of forums, especially the Community Consultative Committee chaired by Amanda Millar MP and submissions to the Panel as well as taking into consideration 'community of interest' in making these recommendations.

3. That the northern boundary of the new municipality extend along the existing boundary between Hume City Council and Macedon Ranges Shire, the western boundary extend from Jacksons Creek on the northern boundary to the Calder Highway along the existing Hume City Council boundary, the southern boundary extend along Holden Road to Jacksons Creek and along the northern boundary of Melbourne Airport and the eastern boundary extend along Deep Creek until it deviates along Wildwood Road and then back along Deep Creek.
4. That this boundary incorporates the township of Bulla within the municipality but excludes the land on which Melbourne Airport is located.
5. That the portion of the suburb of Diggers Rest which is located in the City of Melton be considered for inclusion in the proposed municipality at a future date, but only after consultation with the local community.
6. That the boundaries of Hume City Council be revised accordingly.



Map 1 | Proposed Boundary of the New Municipality



Map 2 | Proposed boundary of Hume City Council



## Sustainability and economic development

7. The Panel notes it has taken in to consideration future growth prospects and strategic directions for the region (including those set out in Plan Melbourne, Regional Growth Plans and Growth Corridor Plans) which suggest a potential population of around 100,000, and recommend that this should be a minimum for establishing the future viability of the new municipality.
8. That the new municipality identify and adopt innovative approaches in planning the delivery of services including partnering with community organisations, contracting out instead of direct provision of services, and resource sharing with neighbouring municipalities.
9. That the new municipality undertake a detailed service evaluation and cost modelling (business service planning with community input) to determine, define and deliver specified service levels for the range of services for the new municipality.
10. That the new municipality undertake a review of all fees and charges in the first 12 months with a view to ensuring user fees are set at a level that as far as possible recovers costs of the services provided.

## Transition process

11. That a Panel of three Administrators and interim CEO be selected and be in place by 1 July 2015 until the local government elections to be held in October 2016.
12. That the division and allocation of assets from Hume City Council to the new municipality be dealt with in the following way:
  - a) immovable physical assets be determined by their geographic location in either Hume City Council or within the boundary of the new municipality with no requirement to ascertain the market value of these assets;
  - b) the market value of all non-physical and moveable assets of Hume City Council be calculated on the constitution date and an inventory of all moveable physical assets take place on that date;
  - c) the division and allocation of non-physical and moveable assets and liabilities including cash, investments, receivable and all entitlements and contingent liabilities be allocated on the basis of a ratio of 23.6 per cent of value to the new municipality and 76.4 per cent to the Hume City Council;
  - d) all transactions relating to the division and allocation of physical and non-physical assets and liabilities be completed and settled within six months of the constitution date of the new municipality;

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- e) following separation and the conclusion of the settlement period of six months, Hume City Council and the new municipality to jointly commission an independent audit to ascertain the fairness of these transactions.
13. That the Hume Council prepare statutory and other organisational reporting processes for 2015-16 to enable dual reporting for Hume Council and the new municipality, (i.e. community plan, budget, planning applications, financial performance and operational reports); with the costs of this dual reporting negotiated by the Administrators and the Hume City Council noting the total maximum amount chargeable by Hume City Council to the new municipality for these services shall be \$1m.
14. That the following actions be taken in relation to the first budget for the new municipality:
- prior to the beginning of the 2015-16 financial year Hume City Council develop and adopt a budget which incorporates 'business as usual' expenditure for the area encompassed within the boundary of the new municipality including the declaration of all rates and charges and as of 1 July 2015 that budget becomes the budget of the new municipality and all rates and charges payable are payable to the new municipality (and collected by Hume City Council);
  - that Hume City Council, operating as a contractor, continue to provide municipal services and functions (including keeping separate account books and collecting rates, charges and fees) to the new municipality after 1 July 2015 in accordance with the budget until the Administrators decide otherwise but not later than within twelve months of the constitution date; and that Hume City Council be reimbursed the reasonable and competitive costs of providing these services; and
  - Memoranda of Understanding and Service Agreements to this effect be established as soon as possible between the Administrators and the Hume City Council following constitution of the new municipality.
15. That the new municipality Administrators work with Hume City Council to effect an orderly transition of staff to the new municipality, as appropriate.
16. That the existing Hume City Council remain in place until the 2016 elections but that if any Jacksons Creek Ward Councillor were to resign or otherwise leave office after Administrators are appointed and before the October 2016 elections, then that position on Hume City Council will be left vacant.
17. That as a priority the new municipality commit to a significant program of community engagement to ensure community confidence during and after the transition period (2015-16) including the development of strong community networks.

## Establishing a revenue base and budget

The Panel believes that with an annual rate increase of 5.5 per cent per annum for the next 10 years, along with the retention of funds from the Racecourse Road project and the transfer of a proportion of the 'rates in lieu' payment from the Melbourne Airport, the new municipality will be financially sustainable.

18. That the rate increase for the new municipality in 2016-17 be no more than 7 per cent (as compared to 14.2 per cent proposed in the KPMG report) and no greater than 6 per cent for each of the following 3 years.
19. That, for a period of 10 years, a payment equivalent to a proportion of the Melbourne Airport 'rates in lieu' currently paid to the Hume City Council be transferred by that Council to the new municipality on the following basis – 50 per cent in the 2015-16 year, 40 per cent in the 2016-17 year, 30 per cent in the 2017-18 year, and then at 23.6 per cent for the fourth to tenth year inclusive.
20. That all proceeds of the sale of the Racecourse Road residential subdivision be allocated to the new municipality in line with all assets which fall within that municipality.
21. That the establishment costs for the new municipality be borne by the new municipality.
22. That the new municipality review all fees and charges.
23. That any assets currently located in the area of the new municipality not be sold by Hume City Council between now and the establishment of the new municipality as any such decision should be made by the new municipality following its establishment.
24. That the new municipality over time consider the benefits of introducing a differential rating system.

## Additional issues

25. That a review of Ward Boundaries and the appropriate number of Councillors for Hume City Council and the new municipality be undertaken by the Victorian Electoral Commission prior to the October 2016 Council Elections.
26. For the purposes of transition, the planning schemes of the Hume City Council that currently apply to the area proposed to constitute the new municipality continue to apply until they are changed by the Administrators or the elected Council after October 2016.
27. For the purposes of transition, the existing local laws in operation in Hume City Council continue to apply in the new municipality until they are changed by the Administrators or the elected Council after October 2016.

28. The Panel notes Section 9 of the Local Government Act 1989 allows for a board of inquiry appointed by Governor in Council to determine disputes between councils and, that in the event of an intractable dispute between the new municipality and Hume City Council over any of the issues set out in this report, this is an option to be considered by the Minister.
29. That the Minister consider informing the Minister for Planning about future population growth requirements in both the new municipality and Hume City Council in relation to the process of adjustments to the Urban Growth Boundary, foreshadowed in Plan Melbourne, to facilitate planning outcomes and to accelerate population growth.
30. That, given population growth and the ongoing implementation of strategic plans including Plan Melbourne, the work of the Metropolitan Planning Authority and ongoing review of the Urban Growth Boundary, the Government continue to monitor and assess 'community of interest' considerations in the broader regions surrounding the new municipality.

## 4 Background and Panel Process

### 4.1 Historical context

On 15 December 1994 the Hume City Council was created by amalgamating the Shire of Bulla with part of the City of Broadmeadows and part of the City of Keilor. Since this amalgamation a number of residents in the area have considered that the needs of the Sunbury community have not been met under the amalgamated council. There has been an ongoing perception that the current municipal arrangements do not meet the aspirations of many people in the Sunbury community.

In June 2000 the then Minister of Local Government appointed a Local Government Panel to undertake a review of the possible restructuring of the Hume City Council. The emphasis in the terms of reference for that panel was on the financial cost impacts of the proposal. The “Review of the Possible Restructuring of the Hume Municipality – The Report of the Local Government Panel October 2000” recommended the separation into two municipalities not occur. This was based on the Panel’s conclusion that, assuming similar service levels, there would be significant detrimental financial impact on the residents and ratepayers of the proposed *Shire of Sunbury*. It also took into account the high costs of establishing (estimated at \$2m or thereabouts) and maintaining two separate municipal entities. The Hume City Council was encouraged to further develop strategies that recognise and respond to the strength of pride and identity obviously felt by residents of Sunbury and district.

In 2011 the then Minister for Local Government noted the continuing concern by a number of residents and KPMG was commissioned to examine the evidence to determine whether Sunbury had been disadvantaged relative to other areas of the municipality by the strategic, financial, and asset management decisions of Hume City Council.

The subsequent KPMG report *Hume City Council’s Service Provision in Sunbury* presented an analysis of a number of performance indicators based on similar service levels regardless of where they were located in the municipality. The report found that Sunbury residents receive a similar or greater share of Hume City Council services and infrastructure than other Hume residents.

In May 2013 the Minister for Local Government announced the Victorian Electoral Commission (VEC) would conduct an indicative poll in October 2013 via an optional postal ballot of all Hume City Council ratepayers and residents. The Department commissioned KPMG to undertake a further report to estimate the financial impact of establishing a separate Sunbury municipality to inform voters and assist in future decision-making on this issue.

The KPMG report of July 2013 *Impact of Potential Secession of Sunbury from Hume* provided indicative estimates of:

- one-off costs of separation estimated to be in the region \$3.5m - \$4.4m; and

- the ongoing financial impact over a four year period required to maintain services and asset renewal in the hypothetical Sunbury municipality as 8.9 per cent over and above the 5.3 per cent projected for the Hume City Council for the same period, and in the remaining municipality of Hume without Sunbury as 1.5 per cent lower than the projected 5.3 per cent increase.

The poll, conducted across the City of Hume in October 2013, resulted in 61 per cent of those participating, voting in favour of the establishment of a new municipality for the Sunbury area.

In response to the poll outcome in February 2014 the then Minister for Local Government established this Local Government (Sunbury out of Hume City Council) Panel and charged it with the responsibility of reporting back to the Minister by 30 June 2014 (*refer **Appendix A – Panel Instrument of Appointment and Terms of Reference***).

At the same time the Minister established an eight person Community Consultative Committee (CCC) Chaired by Amanda Millar MP, to obtain input from the community and provide a report to the Panel and the Minister for Local Government by 30 April 2014. Their report was provided to the Minister on 6 May 2014 and made available to the Panel (*refer **Appendix B – Community Consultative Committee Report***).

## 4.2 Panel process

A public advertisement on 1 March 2014 advised of the Panel and its Terms of Reference and invited submissions to be made. Subsequently the Panel received 70 submissions (*refer **Appendix C – Disclosure of Identities of Individuals and Organisations making Submissions***). In addition, the Panel met separately with the CEO of the Sunbury Community Health Centre, a representative of Brookfield Residential Properties, and with each of the Hume City Councillors, and with the Hume City Council CEO and Executive Management Team.

The Panel noted that many of the issues and concerns were similar to those identified in the 35 formal submissions received and the 63 brief written submissions from the community meeting at Sunbury which were referred to in The Report of the Local Government (Hume City Council) Review Panel 2000 – *Review of the Possible Restructuring of the Hume Municipality*.

There was a high degree of consistency in many of the submissions and their themes. These included primarily the possible boundary, the location of the Melbourne Airport, the appointment of administrators, community of interest, anticipated population growth in the future, greenbelt, cost of services, rate levels, Hume City Council property assets, innovation in service delivery, transport, governance, representation, infrastructure requirements now and in the future, community assets, staffing, rating levels affordability, sustainability and the opportunity to establish a ‘model’ local government of the future.



Of the 70 submissions received by this Panel (refer **Appendix D – Summary of Issues and Concerns raised in Submissions by the Panel**) 18 were against, 18 were for, and 34 were not specific in relation to the constituting of a new municipality. On the question of whether the Melbourne Airport should be included or not included in a new municipality – 15 were against, 23 were for, and 32 had no view.

The Panel also notes the conclusions and recommendations of the CCC which state that “*All communities are broadly supportive of the secession of Sunbury from Hume City Council conditional upon both Councils being financially viable and rates not increasing significantly.*” (p38 **Appendix B**)

The Panel is aware of the continuing dissatisfaction in relation to representation by a section of the community in the Sunbury area relating back to the decision in 1994 to amalgamate the Shire of Bulla and the City of Broadmeadows into the Hume City Council. It was evident that there is significant feeling and emotion in favour of a separation by a number of community members in the Sunbury area. This tends to be based on perceptions of a lack of representation and lower service levels relative to the rest of the Hume City Council, however this is not supported by the evidence of financial analysis. Similar sentiments were expressed in the report by the CCC.

The Panel has recognised the depth of community feeling on the issue and notes that this has been sustained for some two decades. The Panel notes that to confine this review to primarily economic and financial matters would be inadequate and unlikely to resolve the issue, as evidenced from past experience. Local government sustainability is more than a matter of measuring expenditure and revenue. The Panel recognises the significance of local government as the forum for local representative democracy, a point given expression in, and central to, the *Local Government Act 1989*.

The Panel has been determined to give appropriate weight to both economic considerations and issues relating to community engagement and cohesiveness as a significant determinant in sustaining local democratic government. It is only through maintaining community interest and engagement that public dialogue and informed choices can be made by residents about decisions about service levels and their costs to the community. Given the depth of feeling in the Sunbury community and interest in the matter, the Panel determined that the concept of ‘community of interest’ would be a key determinant in deciding whether to recommend establishing a new municipality and associated restructuring of Hume City Council.

## 5 Recommended Boundary

### 5.1 Boundary described

Having considered all of the material before us, the Panel recommends a boundary that differs both from that of the previous Shire of Bulla and that considered by the 2000 Panel in certain respects. However, it remains the case that the new municipality will incorporate most of the existing Jacksons Creek Ward in the City of Hume. Map 3 and Table 1 describe the exact boundaries recommended for the new municipality.

Map 3 | Proposed boundary of the New Municipality

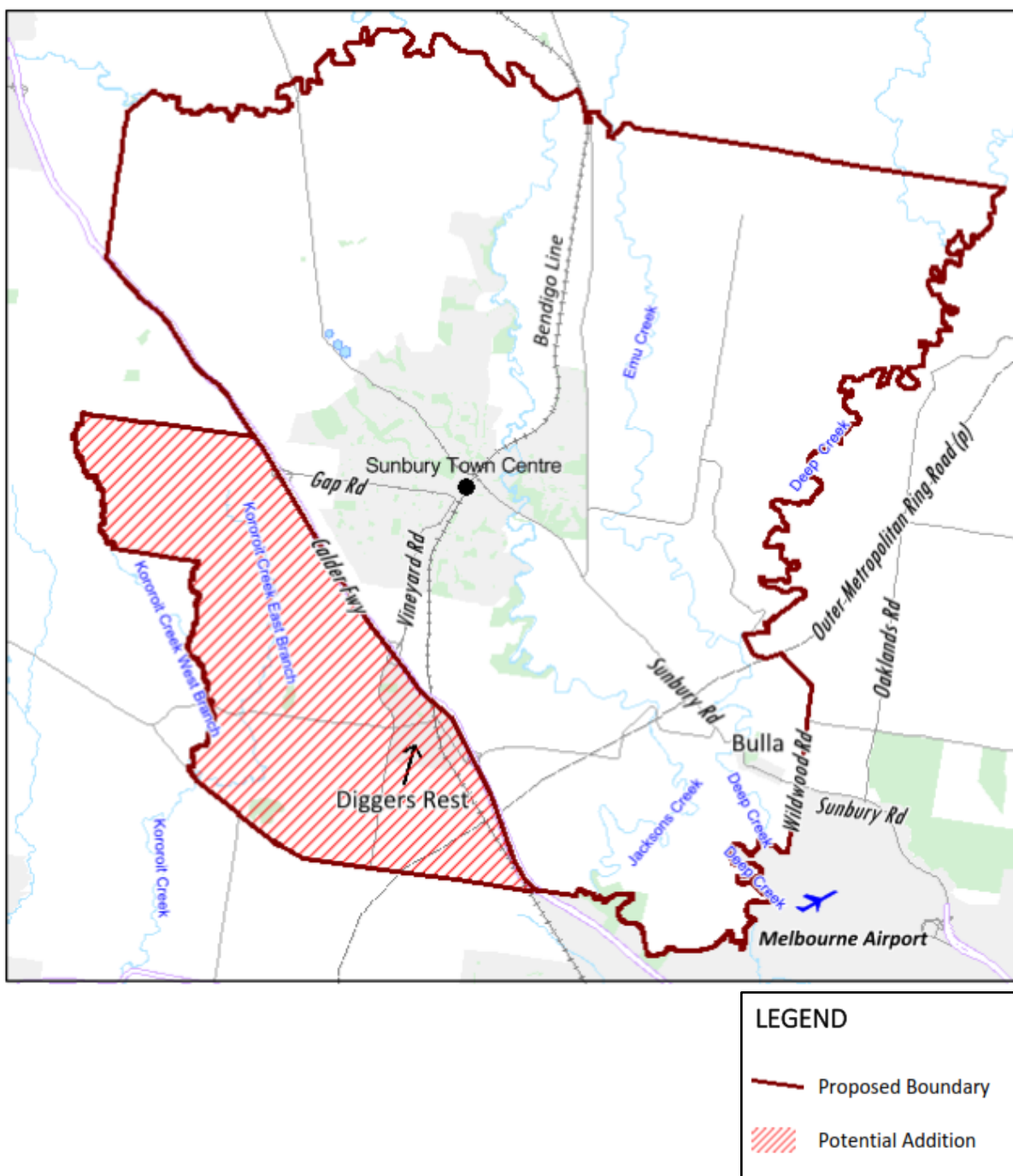


Table 1 | Proposed new Municipal Boundary

Recommended Boundary	Description
Northern	Extends along existing boundary between Hume and Macedon Ranges along the natural features of Jacksons Creek. The area should contain the northern growth of Sunbury as delineated by the UGB.
Western	Extends the boundary from Jacksons Creek on northern boundary to the Calder Highway along the existing Hume boundary. [The Panel has made a recommendation regarding the remainder of Diggers Rest that is contained within the existing boundary of the City of Melton see paragraph 5.3.2 below].
Southern	Extends the boundary along Holden Road to Deep Creek and along the northern boundary of Melbourne Airport. Excludes Melbourne Airport from the new municipality.
Eastern	Extends the boundary along Deep Creek then deviates along Wildwood Road to include the township of Bulla, then extends along Deep Creek. Deep Creek is an important natural feature and is a natural barrier to movement to the east in other parts of the municipality.

## 5.2 Community of Interest

In recommending these boundaries the Panel has had regard to the strong community of interests between the different geographical locations within the proposed boundaries and other inter-related factors demographic characteristics, topographical features and the transport and communications network. **Appendix E** provides a more in-depth discussion and presentation of accompanying maps and tables.

Dimensions of 'community of interest' in the context of local government<sup>1 2</sup> applies to a group or groups of people in a residential locality or geographic area having one or more of the following three dimensions:

- ☐ Perceptual | a sense of belonging to an area or locality which can be clearly defined.
- ☐ Functional | the ability to meet with reasonable economy the community's requirements for comprehensive physical and human services.

<sup>1</sup> Fulcher, H. *The Concept of Community of Interest*, Discussion Paper 2 for S.A. Department of Local Government 1989. Edited by Bowey, R. January 1991.

<sup>2</sup> Electoral Boundaries Commission report on 2012-2013 redivision of Electoral Boundaries, 2013.

- Political | the ability of the elected body to represent the interests and reconcile the conflicts of all its members.

The Panel is of the view that these dimensions of perceptual and functional ‘communities of interest’ were not given sufficient weight in the 2000 review into whether there should be a separate Sunbury municipality. The Panel notes, however that the 2000 Review<sup>3</sup> recognised the strength of community feeling: *If Sunbury were to remain within Hume’s current municipal boundaries, based on the passion exhibited to the Panel by a vocal segment of the community, it appears to the Panel that there will be continuing demands for separation. (p64)*

The above prediction has been correct. In light of this, the Panel believes it is critical to consider and give due weight to ‘community of interest’ when determining whether there should be a new municipality and in deciding where the boundaries of such an entity should be set. The Panel has therefore sought to gain an understanding of the community’s particular identity, their functional patterns and the nature of the perceived political agendas emanating from that area.

### 5.2.1 Perceptual dimension of ‘community of interest’

The Hume City Council’s HIGAP report<sup>4</sup> and the accompanying document relating to the delivery of infrastructure<sup>5</sup> have been informed by extensive consultation, technical documents and consultation reports. These proposed Strategies (now encompassed in Precinct Structure Plans) are underpinned by a strong sense of community identity and attachment to Sunbury. Sunbury’s setting and township is physically separate and some 15 kilometres west of Broadmeadows – where the Council offices are located, and the Hume Corridor. For these reasons Sunbury is perceived as different and physically isolated from the rest of Hume City Council.

The comments and themes that emerged during the consultations - community forums and listening posts, held by the CCC reinforce these perceptions of Sunbury (refer **Appendices B and E**) and the community wanting to secede and no longer be part of the City of Hume.

This results in a perceptual dimension – attachment and a strong sense of identity with Sunbury and environs – that supports creation of a separate municipal entity based around Sunbury rather than being incorporated in the City of Hume.

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<sup>3</sup> The Report the Local Government (Hume City Council) Review Panel, Review of the possible restructuring of the Hume Municipality, October 2000.

<sup>4</sup> Hume City Council *Sunbury HIGAP Spatial Strategy*, July 2012

<sup>5</sup> Hume City Council *Sunbury HIGAP Delivery and Infrastructure Strategy*, July 2012

### 5.2.2 Functional dimension of 'community of interest'

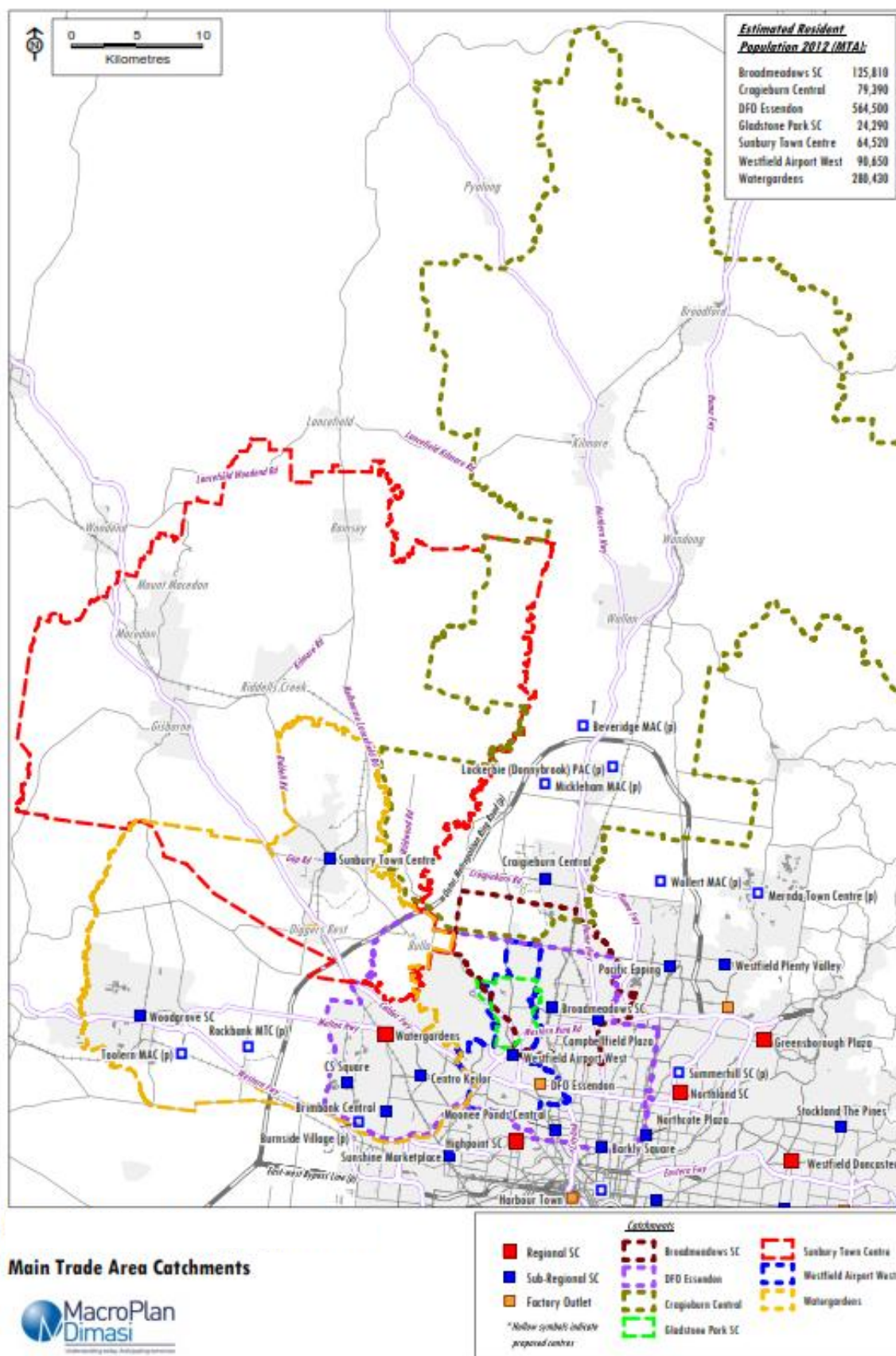
Municipal boundaries should reflect the functional dimension of 'community of interest', that is, the spatial patterns or movement patterns of human activities should contain most of the facilities and services used by the community, including the location of the municipal offices, the customer service centre and the facilities and services need to be relatively central to the population they serve.

In order to gain an understanding of the spatial patterns of human activities and the population catchments served by a range of facilities, first the Panel examined the trade area of a number of shopping centres across the City of Hume and nearby and then determined the origin of users of a range of Council and some non-Council services provided in Sunbury. In addition, the Panel examined journey to work data of the workforce of Sunbury and the Airport as well as the residential movement patterns of Sunbury residents.

#### Usage of Shopping Centres and other Services

Map 4 highlights the location of various shopping centres in the Hume and Sunbury Corridors and the delineation of the main trade area catchments for Sunbury Town Centre, Watergardens, Craigieburn Central, Westfield Airport West, Broadmeadows, Gladstone Park and the DFO Essendon.

Map 4 : Main Trade Area Catchments





Of particular interest, the Sunbury Town Centre's main trade area has an estimated resident population of 64,520 (2012). It draws from a wide area to the north and west of the Shire of Macedon Ranges, to the south from Diggers Rest and part of the City of Melton and only as far as Bulla to the east.

Watergardens is the only centre that influences the shopping patterns of Sunbury residents - it draws mainly from the Cities of Melton and Brimbank, drawing extensively from the north from beyond the Sunbury Town Centre.

The other centres do not draw from Sunbury. They relate to the eastern part of the municipality. This demonstrates the importance of the Calder Highway being the gateway to Sunbury more so than to that area beyond Bulla.

Table 2 highlights the local orientation of a number of key Council services: family and children's services; HACC; library; Sunbury Aquatic and Leisure Centre as well as the Sunbury Community Health Centre.

Table 2 : Key Services - Residential origin of Users

Service Type	Origin of Users
<b>Family and Children's Services</b>	
Long Day Care	97 children from 80 families who reside in Sunbury; 4 families from outside Sunbury – Romsey, Diggers Rest, Maribyrnong and West Melton.
Kindergartens	Majority of children from families who reside in Sunbury; only 6 families from outside Sunbury – Melton, Avondale Heights, Roxburgh Park, Sunshine, Meadow Heights and Deer Park
Maternal and Child Health	Elizabeth Drive encompasses the majority of the urban component of Sunbury (excluding Goonawarra) and extends to the northern municipal boundary as far south as Diggers Rest; Goonawarra encompasses Goonawarra and areas to the east to Wildwood and part of Bulla.
HACC Program	Delivered to clients in the home.
Leisure and Aquatic Centre	Primarily used by residents of Sunbury township and surrounding non-urban areas to the north and west - utilisation is high.
Sunbury Community Centre	Sunbury and surrounding communities of Diggers Rest, Clarkefield, Bulla, Gisborne, Woodend, Lancefield and Romsey.

*Source: Data provided by HCC, 2014 and Sunbury CHC and included in Publicplace report (Attachment 1 of Appendix E)*

## Journey to Work Patterns

Journey to work patterns are also quite localised with some 21.8 per cent of employment locations being in Sunbury. The other locations are quite dispersed. The next two key locations are in Hume City Council – Craigieburn (8.4 per cent) and Broadmeadows (6.2 per cent), but are not significant locations compared with Sunbury (refer Table 3).

Table 3 | 2011 employment location of Sunbury residents by SLA (*number of residents exceeding 300 in each location*)

SLA	Number	%
Hume (C) – Sunbury	3,907	21.8
Hume (C) – Craigieburn	1,507	8.4
Hume (C) – Broadmeadows	1,117	6.2
Melbourne (C) – Inner	1,058	5.9
Melbourne (C) – remainder	1,023	5.7
POW no fixed address (Vic)	843	4.7
POW capital city undefined (greater Melbourne)	820	4.6
Brimbank (C) – Keilor	797	4.4
POW State/Territory undefined (Vic)	557	3.1
Brimbank (C) – Sunshine	526	2.9
POW not stated	476	2.7
Macedon Ranges (S) balance	441	2.5
Melbourne (C) – Southbank/Docklands	417	2.3
Moonee Valley (C) – West	416	2.3
Wyndham (C) – North	349	1.9
Maribyrnong (C)	336	1.9
Port Phillip (C) – West	281	1.6
Melton (S) – balance	229	1.3
Hobsons Bay (C) – Altona	193	1.1
Darebin (C) – Preston	188	1.0
Whittlesea (C) – South-West	178	1.0
Yarra (C) – North	165	0.9
Moreland (C) – Coburg	134	0.7
Melton (S) – East	129	0.7
Banyule (C) – Heidelberg	103	0.6
Macedon Ranges (S) – Romsey	103	0.6
Moreland (C) – North	102	0.6
Moreland (C) – Brunswick	99	0.6
Yarra (C) – Richmond	95	0.5
Macedon Ranges (S) – Kyneton	71	0.4
Hobsons Bay (C) – Williamstown	65	0.4
Boroondara (C) – Hawthorn	51	0.3
Whittlesea (C) – North	48	0.3
Stonnington (C) – Prahran	44	0.2

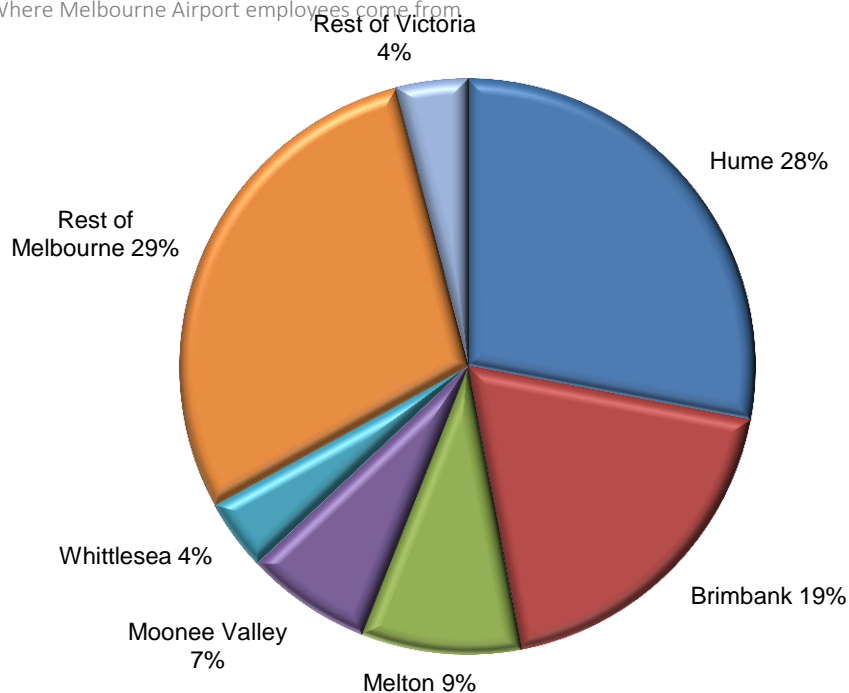


SLA	Number	%
Darebin (C) – Northcote	42	0.2
Kingston (C) – North	40	0.2
Monash (C) – Waverley West	35	0.2
Moorabool (S) – Bacchus Marsh	32	0.2
Port Phillip (C) – St Kilda	32	0.2
Whittlesea (C) – South-East	30	0.2
Mitchell (S) – South	30	0.2
Stonnington - Malvern	26	0.1
Whitehorse (C) – Box Hill	26	0.1
Banyule (C) – North	25	0.1
Boroondara (C) – Kew	24	0.1
Monash (C) – South-West	22	0.1
Greater Dandenong (C) – balance	21	0.1
Boroondara (C) – Camberwell South	19	0.1
Knox (C) – South	17	0.1
Wyndham (C) – South	16	0.1
Whitehorse (C) – Nunawading West	14	0.1
Manningham (C) – West	14	0.1
Greater Geelong (C) – Point Cook	13	0.1
Greater Bendigo (C) – Central	12	0.1
Nillumbik (S) – South	12	0.1
Greater Dandenong (C) – Dandenong	11	0.1

*Source: ABS Census of Population and Housing 2011*

The Melbourne Airport's operations directly employ 14,000 people. Almost two thirds of these workers live in the LGAs around the airport, some 28 per cent of employees reside within Hume City Council, 19 per cent from the Cities of Brimbank and 9 per cent from Melton. (refer Figure 1).

Figure 1 | Where Melbourne Airport employees come from

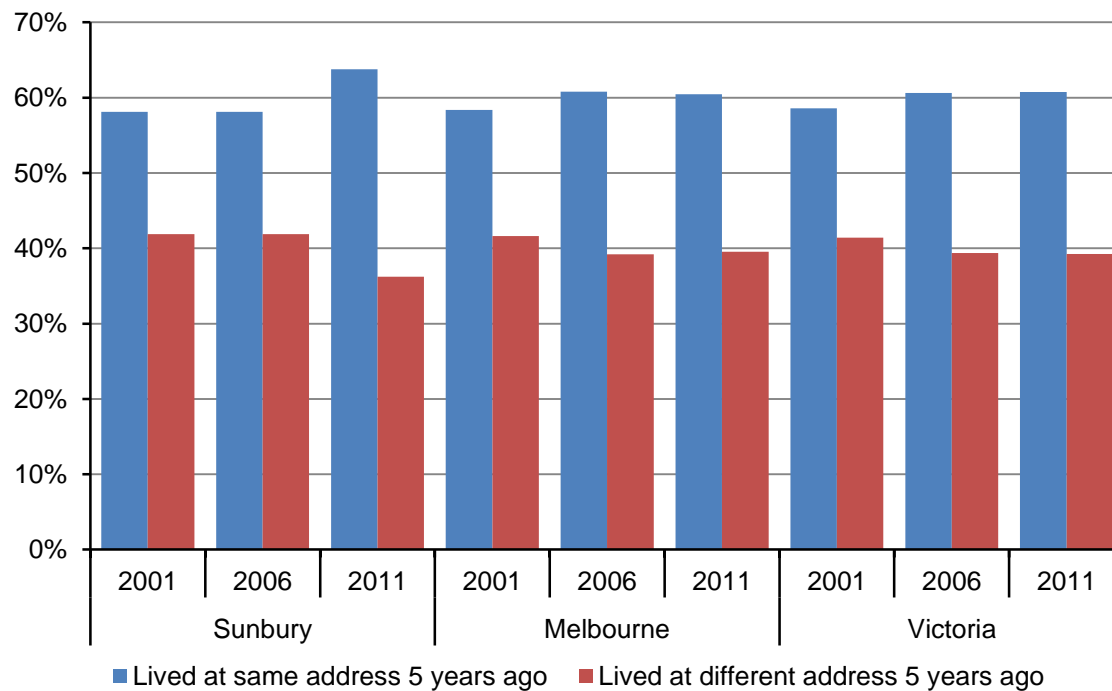


Source: Melbourne Airport

### Residential Movement Patterns

People who live in Sunbury are relatively more likely to remain at the same address for more than five years than the rest of Melbourne and Victoria (refer Figure 2).

Figure 2 | Population Mobility, Persons living at the same vs different address by location - 2001 to 2011



Source: ABS Census 2011

Moreover, the steady rise in persons living at the same location within Sunbury and the decrease of persons having moved out of Sunbury suggests a high degree of locational mobility. This is consistent with high levels of growth across the residential sector in Sunbury and the lack of migration from the area and provides a strong foundation for the development of new residential areas (refer Table 4).

Table 4 | Place of usual residence (SA2s) 2006 - Sunbury and Sunbury South

Place of Usual Residence 5 years ago	Sunbury South	Sunbury	Hume
Sunbury South	16,037	752	16,789
Sunbury	1,001	8,515	9,516
Romsey	204	88	292
Gisborne	175	53	228
Gladstone Park – Westmeadows	84	43	137
Riddells Creek	75	47	122
Essendon - Aberfeldie	71	47	118

### Community's Perceptions of Council Services

Current community perceptions of the services provided were examined with respect to:

- ☐ importance level of services provided, and
- ☐ satisfaction ratings of services provided, compared with the rest of the municipality.

The Hume City Council Community Survey 2013/2014 was considered. This suggests there is a mismatch between the reality of what is being provided and the perceived level of Council's performance in relation to Sunbury and surrounding areas.

Table 5 | Direction of Council's Performance

Performance	Sunbury	Hume City Council
Deteriorated	16.8 per cent	9.5 per cent
Stayed the same	73.3 per cent	66.2 per cent
Improved	9.9 per cent	24.3 per cent

It may be inferred that the current municipal arrangements do not meet the Sunbury community's expectations and aspirations. When this was explored further in discussions with community service providers the reasons expressed related to the community's lack of involvement in the planning and management of their services, they want to 'have a say' in how their community is developed.

In summary, the functional dimension of 'community of interest' - the spatial activity patterns and usage of shopping centres and other facilities and services are contained in the wider Sunbury area, including Diggers Rest and parts of the Shire of Macedon Ranges not in the remainder of the City of Hume.

### 5.2.3 Political dimension of 'community of interest'

This dimension of 'community of interest' goes to perceived representation and participation. That is whether residents feel that they are represented adequately and whether they feel they have the opportunity to be involved in decision-making. The majority of those who participated in the consultation process indicated they did not believe they were well represented and felt they could not influence decisions affecting them. The Panel makes no judgement on whether these feelings are accurate. However it is clear that this is the perception of many in the Sunbury area. It is also clear that this perception has existed for a long time. Administrators and the new Council will need to ensure opportunities for community representation and participation in key Council policies and processes.

### 5.2.4 Demographic characteristics supporting 'community of interest'

As at 2011, the Sunbury SLA was home to approximately 35,162 people or 21 per cent of the Hume City Council population and this is projected to grow substantially over the next 20 years.

The Hume City Council population is concentrated in the urbanised east and south east of the Hume Local Government Area (LGA) (an extension of the broader metropolitan area) and in Sunbury (in the west). These two urban areas separated by an expansive non-urban area, the majority of which lies outside the UGB.

The population of Sunbury is notably different to that of the rest of Hume, in terms of ethnic and cultural background and socio-economic status. To illustrate, 88.7 per cent of residents of the Sunbury SLA speak only English at home, compared with 50.1 per cent of residents of the Craigieburn SLA and only 39.4 per cent of residents of the Broadmeadows SLA. When the data are viewed at statistical area 1 (SA1) level, it is clear there is a finer grain to this spatial trend. Specifically, areas to the south east of the LGA which are within the UGB are home to a very high proportion of people who speak other languages (in some parts of Broadmeadows, Meadow Heights, and Roxburgh Park, more than 70 per cent of residents speak another language). In the non-urban areas which separate Sunbury from the broader metropolitan area, there is less language diversity and in the Sunbury Township only a small proportion of the population speaks a language other than English (approximately 7 per cent).

A similar spatial pattern is evident with respect to the SEIFA index (see Map 5). The SEIFA index shows that within Hume municipality socioeconomic outcomes vary greatly, with Broadmeadows an area of relative disadvantage (SEIFA index of 800) compared with Sunbury (SEIFA index of 1043).

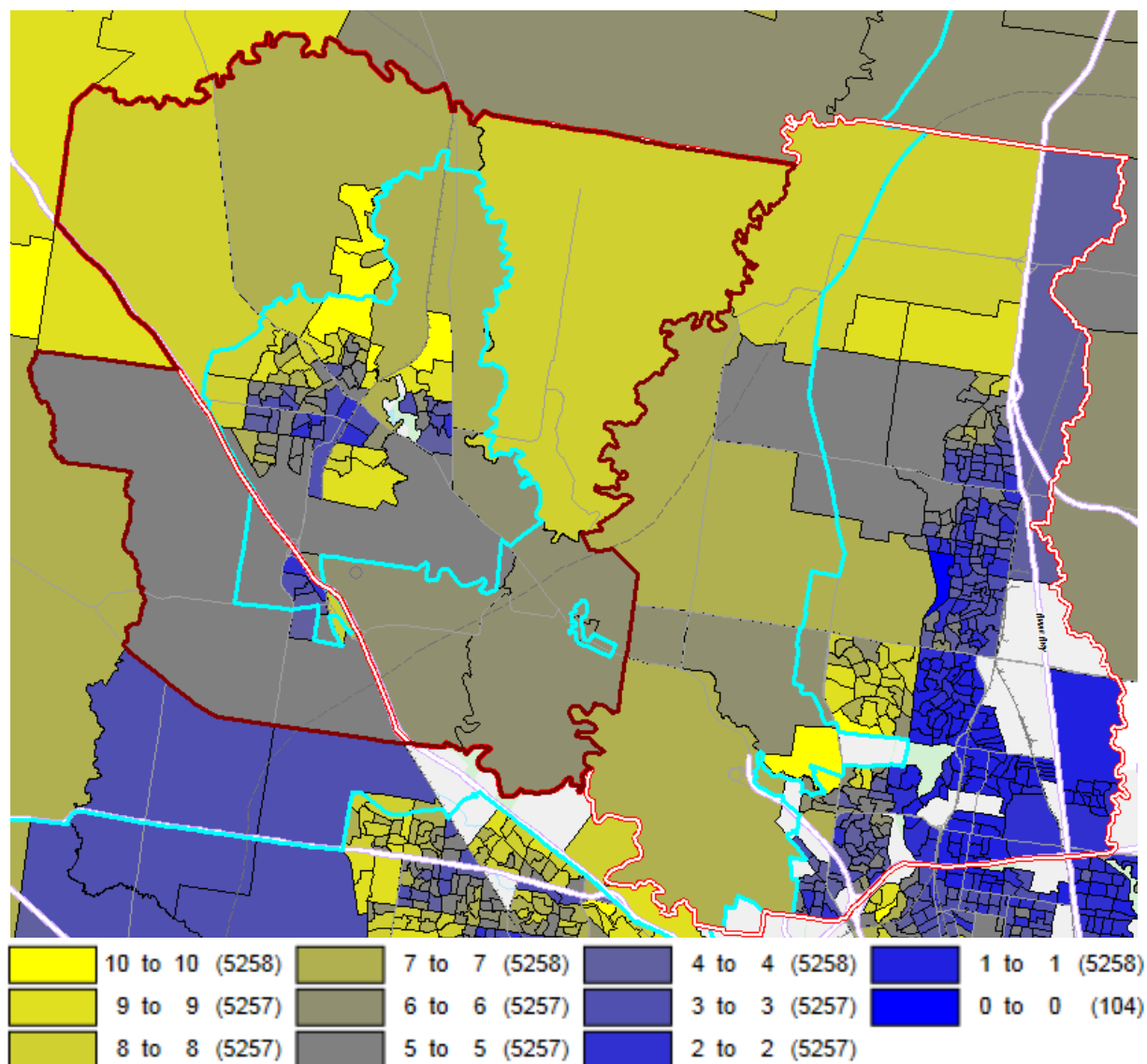
In summary, Sunbury compared with other areas within the current boundary of Hume City Council has:

- ☐ an even age distribution,
- ☐ only half the proportion of 'overseas born' residents,
- ☐ a lower proportion of individuals on lower incomes in Sunbury and much higher on higher incomes,

- higher levels of educational attainment , and
- a much higher SEIFA index (excluding Greenvale).

Refer **Appendix E – Report and Attachment 1 – Demographic Characteristics.**

Map 5 | SEIFA deciles - Sunbury, Hume and Surrounds – 2011



Source: ABS SEIFA Tables 2011

### 5.3 Rationale for proposed boundaries

The report of the Local Government (Hume City Council) Review Panel October 2000 (*the 2000 report*) and the KPMG report July 2013 (*the KPMG report*) used Deep Creek to form the boundary between Sunbury and Hume. The geographical feature of Deep Creek represents *a natural and ideal boundary* (Sunbury Residents Association Submission to the 2000 report) and *a natural and widely accepted boundary between Sunbury and the rest of the Hume municipality* (the KPMG report). The Panel notes that the proposed boundary does not mirror that of the former Shire of Bulla, in order to create a more rural based municipality, as noted in the KPMG report.

The 2000 report stated that a sense of ‘community feeling’ can exist across a range of boundaries as well as within a wider municipal area such as Hume. The report was not of the view that the community identity and municipal boundaries are, or must be, the same thing.

The 2000 report also referred to principles for local government restructuring enunciated by Stuart Morris, in *The Restructure of Local Government in Victoria: Principles and Programmes*. These note that “*a municipal boundary should not divide a local neighbourhood or country town*”. As such the Panel has considered the community sentiment of those living along the proposed boundaries, and included the suburbs of Sunbury, Wildwood, Clarkefield, Bulla and that part of Diggers Rest that is currently including in the boundaries of Hume City Council.

#### 5.3.1 Bulla, Oaklands Junction

The township of Bulla lies on both the east and west sides of Deep Creek. The 2000 report identified a high level of association between Bulla and Sunbury by Bulla residents. This is supported by the results of the Sunbury Poll of 25 October 2014 in which 63 per cent of Bulla residents voted in favour of establishing a new Sunbury municipality. Therefore the Panel has proposed that the new municipality also incorporate the part of Bulla that lies east of Deep Creek.

Oaklands Junction lies primarily to the east of Deep Creek. However, a small section of the northern part of Oaklands Junction lies to the west of Deep Creek. In the Sunbury Poll the majority of those residents of this township who voted did not support de-amalgamation of the Hume City Council. But there has been no clear indication that the community of Oaklands Junction has a particular affiliation with either Sunbury or Hume. The Panel is therefore of the view that those residing west of Deep Creek should form part of the new municipality, and the area east of Deep Creek should remain part of Hume.

#### 5.3.2 Diggers Rest

The Panel believes that the portion of Diggers Rest currently within the City of Hume should form part of the new municipality and, in time, the entire township of Diggers Rest should be included. The residents of Diggers Rest who reside in the City of Melton should be consulted to consider whether the remainder of the suburb should also be within the proposed municipality. The Panel recommends the inclusion of the entire township of Diggers Rest be considered by the government at a future date, subject to residents of Diggers Rest being consulted on this matter, which might include a

plebiscite of the community.

The proposed boundary overlays the three communities of interest and also considers topographical and natural boundaries. Accordingly, the proposed boundary:

- ☐ Includes Bulla and follows Wildwood Road to Deep Creek.
- ☐ Follows the Deep Creek boundary to the existing northern City of Hume boundary.
- ☐ Follows the northern City of Hume boundary to Sunbury North.

Table 6 | Proposed new Municipal Boundary rationale

Recommended Boundary	Description and Rationale
Northern	Extends along existing boundary between Hume and Macedon Ranges along the natural features of Jacksons Creek. This area is generally accepted by the community as the northern boundary. They relate to Sunbury and the environs. The area should contain the northern growth of Sunbury as delineated by the UGB.
Western	Extends the boundary from Jacksons Creek on northern boundary to the Calder Highway along the existing Hume boundary.
Southern	Extends the boundary along Holden Road to Deep Creek and along the northern boundary of Melbourne Airport. Excludes Melbourne Airport from the new municipality.
Eastern	Extends the boundary along Deep Creek then deviates along Wildwood Road to include the township of Bulla, then extends along Deep Creek. The Bulla and Wildwood communities relate to Sunbury. Deep Creek is an important natural feature and is a natural barrier to movement to the east in other parts of the municipality. Oaklands Junction lies primarily to the east of Deep Creek with a small section of the northern part to the west of the Creek. While some residents' activity patterns relate to Sunbury, the majority of those who voted in the Sunbury poll indicated not to support de-amalgamation – hence only that part west of Deep Creek is in the new municipality.

### 5.3.3 The Melbourne Airport

The most frequently commented upon inclusion topic throughout the submission process was the land where the Melbourne Airport is situated. The Panel also received a range of views as to how the Melbourne Airport was to be considered, and various rationales for its inclusion into the new municipality of Sunbury or its retention as part of the future City of Hume.

Prior to the 1993-94 amalgamations, the airport was sited largely in the Shire of Bulla, although some parts fell within the City of Kew and the City of Broadmeadows. Many of the submissions made reference to this pre 1994 arrangement, and expressed a sentiment that the airport ‘belonged’ to the then Shire. The Panel, in keeping with its rationale of no longer considering the arrangements of two decades ago materially significant did not consider this especially relevant. Moreover, the airport has grown considerably since the early 1990s and the impact upon the City of Hume is quite different to that experienced by the Shire of Bulla.

The Panel concurs with the view expressed in the submission from the Melbourne Airport, namely that the airport should remain in a single municipality. The Airport identified a number of other criteria it felt should be met by a municipality including that it have the skills and expertise to manage complex issues, include areas of most relevant community impact and be able to prioritise safeguarding of the airport; “In the experience of Melbourne Airport, the City of Hume satisfies these criteria”. The Panel agrees the airport should be situated within the council where it has the greatest community impact. This includes the impact of noise distribution emanating from the airport as well as the major arterial roads to the airport, all of which occur within the boundaries of Hume City Council. Managing these pressures and retaining the ‘no curfew’ outcome requires a level of sophistication and skill that Hume City Council has developed over the past two decades.

The Panel recognises that Melbourne Airport is a significant strategic transport asset for Victoria. It is Australia’s second busiest airport, and is advantaged by the absence of a curfew that provides it with a competitive advantage over Sydney and other airports. It currently handles some 29.1 million passengers per year and 250,000 tonnes of freight and forecasts suggest that these figures may increase to 64 million passengers and 393,000 tonnes of freight by 2033.<sup>6</sup>

Therefore, the Panel has decided that for the purposes of continuity and certainty for one of Victoria’s strategic transport assets, the land upon which the airport is sited remain situated in the City of Hume. This is reflected in the Panel’s recommendation on the boundary of the new municipality.

## 5.4 Naming the new municipality

A number of submissions expressed a desire to return to the pre 1994 amalgamation era of the former Shire of Bulla and sought a future Shire of Sunbury. However this does not reflect the current or future community of interest, demographics or directions of the area. Sunbury and the surrounding area is increasingly becoming urbanised due to demographic change although it will remain city and country in the long term.

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<sup>6</sup> Melbourne Airport Masterplan 2013



Given the potential population capacity of over 100,000 persons and the increasing role of Sunbury as a town centre, the Panel believes the proposed municipality should be designated a 'City'. For example in 2012 the name of the municipality of Melton was changed from a Shire to a City due to its rapid population growth. Taking into account definitions of City, Rural City and Shire in the *Local Government Act 1989*, the Panel recommends that a future municipality be constituted as a 'City'. This designation will assist the new municipality look to the future rather than seeking to replicate what existed in the past.

In deciding on the final name the Panel took into account the names of other townships, names of historical people and landmarks including indigenous and pioneering heritage. The Panel recommends the new municipality be named the City of Calder. This name originates from William Calder, the first chair of the Victorian Country Roads Board. The Calder Freeway corridor is a recognised and familiar local landmark. Residents of Sunbury and surrounding areas primarily shop and commute along the Calder corridor. Watergardens is the primary regional shopping destination and new access to Melbourne Airport via Airport Drive and the proposed Outer Metropolitan Ring Road will increase the orientation of the new municipality along the Calder corridor.

## Part 5 - Recommendations

- ☐ That a new municipality based around the township of Sunbury be constituted on 1 July 2015 and the Hume City Council be reconstituted accordingly.
- ☐ That the new municipality be constituted as a City and named the City of Calder.
- ☐ That the northern boundary of the new municipality extend along the existing boundary between Hume City Council and Macedon Ranges Shire, the western boundary extend from Jacksons Creek on the northern boundary to the Calder Highway along the existing Hume City Council boundary, the southern boundary extend along Holden Road to Deep Creek and along the northern boundary of Melbourne Airport and the eastern boundary extend along Deep Creek until it deviates along Wildwood Road and then back along Deep Creek.
- ☐ That this boundary incorporates the township of Bulla within the municipality but excludes the land on which Melbourne Airport is located.
- ☐ That the portion of the suburb of Diggers Rest which is located in the City of Melton be considered for inclusion in the proposed municipality but only after consultation with the local community.
- ☐ That the boundaries of Hume City Council be revised accordingly.

## 6 Sustainability and Economic Development

### 6.1 Sustainability and Efficiency

The Panel determined from the outset a range of conditions that needed to be met if a future municipality was to be sustainable and viable. These were that such a municipality should:

- ☐ have a sustainable and growing population,
- ☐ have relevant and manageable debt levels on establishment and the capacity to service future borrowings,
- ☐ have a sustainable forward capital works program with the financial capacity to meet the replacement renewal and upgrading of assets to meet community requirements,
- ☐ be positioned to provide services at as low a cost as possible,
- ☐ have a lean organisational structure through a range of innovative practices such as sharing services with neighbouring Councils, contracting out appropriate services and using other innovative approaches where possible, and
- ☐ comply with the requirements in the Victorian Auditor General's Office Sustainability Indicators (*refer **Appendix H***).

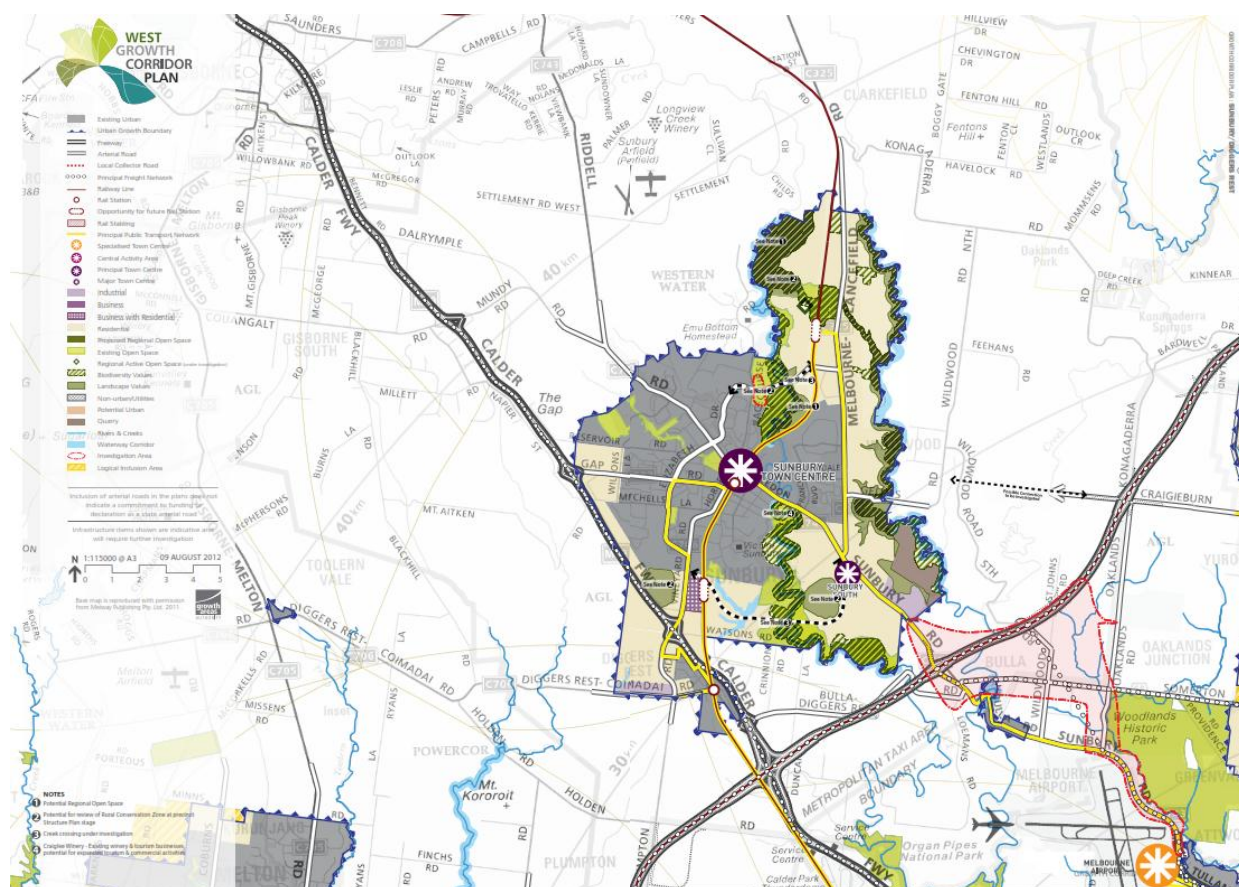
The Panel believes all of these conditions are met in terms of the new municipality that it proposes. It also considers the remainder of the Hume City Council without the area of the proposed new municipality to be sustainable. This is particularly the case given that without Sunbury the population of Hume City Council is projected to surpass the population of Hume City Council with Sunbury, by 2020-21.

### 6.2 Future Growth Prospects

The economic sustainability of the municipality depends on achieving critical mass and economies of scale. Where possible, the local and regional inclusion of employment, including commercial, industrial and the services sectors, supports economic sustainability. Considerable effort and investment will be required to develop not only service sector employment (e.g. health, education) but also to integrate and leverage from the economy of the rural hinterland.

The West Growth Corridor Plan developed by the Metropolitan Planning Authority is set out in Map 6. This plan was based on the following upper and lower targets likely to be met between 2025 and 2035.

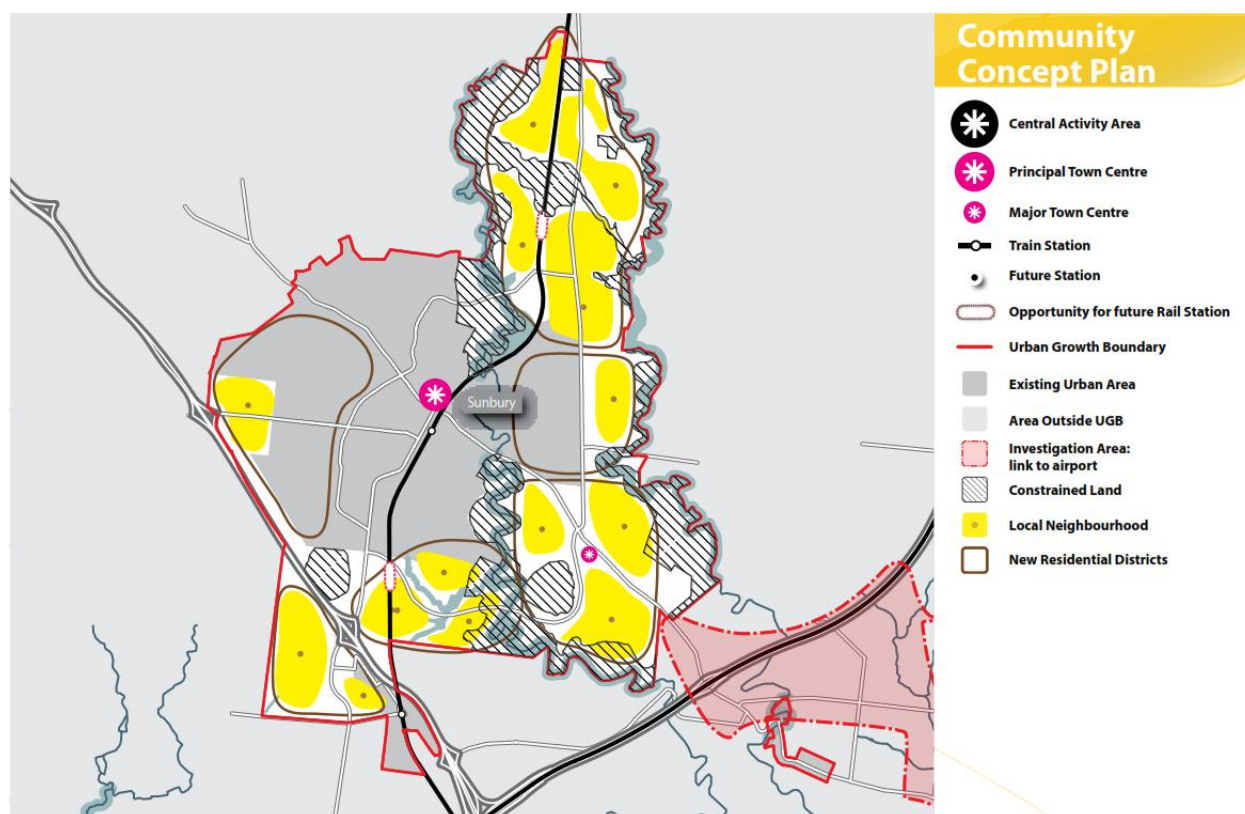
Map 6 | Western Growth Corridor Plan



Source: MPA Growth Corridor Plans – Managing Melbourne’s Growth. January 2014

Post 2035, Sunbury has a currently planned total population capacity of 120,000 persons (i.e. post 2035) depending on assumptions in relation to dwelling yield (Map 7). Including Diggers Rest, total population capacity is estimated at 134,000 persons. To reach a population of 200,000 would require inclusion of areas to the north and south of Sunbury in the UGB as well as areas to the north-west of Diggers Rest.

Map 7 | Sunbury Community Concept Plan



Source: MPA Growth Corridor Plans – Managing Melbourne’s Growth. January 2014

Table 7 | Sunbury/Diggers Rest – to 2035

	Lower	Upper
Dwelling Capacity	26,000	32,000
Population Capacity	71,000	90,000
Jobs Capacity	10,000	15,000

As Table 7 indicates, based on current growth rates and projections, by 2031 Sunbury (including Diggers Rest) would have a population of 64,000 and by 2035, this would increase to a ‘low’ forecast of 71,000 persons and a ‘high’ forecast of 90,000 persons. The economic sustainability of any new municipality with population growth projections below 55,000 by 2035 would represent significant risk.

The West Growth Corridor Plan integrates strategic planning for Sunbury and Diggers Rest in respect to landscape, environment, open space, biodiversity, drainage and community planning. This is demonstrated in Map 6 and is supported by the view that *‘The new communities in Sunbury/Diggers Rest will need to be designed to feed off the existing Sunbury Town Centre.’*

Table 8 | Hume City Council population projections in five year increments

	2011 (a)	2016	2021	2026	2031
Current Hume City Council	174,290	199,448	229,558	260,246	291,278
Proposed new municipality	35,227	40,312	46,398	52,600	58,872
Hume City Council without Sunbury	139,063	156,136	183,160	207,646	232,406

Source: VIF2014, MacroPlan Dimasi

The Panel notes that several Precinct Structure Plans could be brought forward to accelerate population growth rates for Hume City Council and the proposed new municipality.

### 6.3 Employment Patterns and Economic Development

The Sunbury Township currently provides 0.37 jobs per resident which is relatively low when compared to metropolitan Melbourne. Sunbury is unlikely to be a location that attracts a large share of the metropolitan employment market, even at its full development.

The Sunbury/Diggers Rest Corridor Plan provides in the order of 10,000-15,000 new jobs. These are expected to be heavily represented by household service based sectors such as retail, health care, education and service industries.

The existing Sunbury Principal Town Centre is focussed around the Sunbury Train Station and accommodates a range of retail services, entertainment/leisure, office and civic functions. This will become the service sector focal point and every effort should be made to locate the new municipal headquarters in the town centre.

The planned town centre network for Sunbury (Map 7) seeks to reinforce the principal role of the Sunbury Town Centre, improve the distribution of sub-regional scale retail services within the Township and provide a range of neighbourhood centres. To achieve this, the Corridor Plan provides for a Major Town Centre on Sunbury-Bulla Road to support the adjoining employment precinct and the residential population, particularly in the northern and southern sections of the expanded Sunbury township. Sunbury South is planned to accommodate a new railway station and an employment precinct.

### 6.4 Plan Melbourne and Other Considerations

The future geographic shape of a new Sunbury inclusive municipality must have regard to recent initiatives and policies of the Victorian Planning Provisions (recognising the State Planning Policy Framework (SPPF) is still in draft form), Plan Melbourne, Regional Growth Plans and Growth Corridor Plans plus strategy and research undertaken as part of the Sunbury HIGAP Reports undertaken by Hume City Council. In addition, the recently endorsed Melbourne Airport Masterplan needs to be considered. These documents set out current strategic guidelines for Hume City Council.

The Growth Corridor Plans (January 2014) prepared by the Metropolitan Planning Authority (MPA) set an overarching strategic planning framework to guide future development in the four Growth Corridors of Melbourne.

Plan Melbourne identifies significant expansion of the Sunbury urban area within the current UGB. Plan Melbourne recommends that the UGB be confirmed in the short term. The Panel recommends consideration be given to the inclusion of Sunbury South, Sunbury north and to the area north-west of Diggers Rest and areas in the remainder of Hume City Council to the north-west of Greenvale to set future municipal population targets of over 200,000 persons.

## 6.5 Innovation and New Approaches

As part of the Panel's consideration of sustainability and viability it considered ways in which a new municipality should consider innovative methods of service delivery and other lower costs options for their operations. The local government sector needs innovation and new approaches and it is now an essential requirement for the people involved in the sector to be thinking strategically and innovatively.

In considering innovation opportunities in local government the Panel recognises:

- a) The traditional approach of conducting business which requires ongoing review of:
  - processes and systems councils are involved in – with a focus on efficiency including a commitment to continuous improvement and learning new skills, and
  - projects and programs – with a focus on effectiveness and undertaking community surveys on the services delivered.
- b) A higher level commitment to an 'approach to excellence' that requires a 'new business model' that elevates:
  - being committed to achieving excellence in all areas,
  - seeking to more deeply investigate processes to identify ways of achieving transformational change in the way of doing things,
  - looking more closely at the monitoring, timing, alternatives, and options for the services delivered within the existing financial parameters and increasing budget constraints, and
  - being prepared to experiment and test new ideas.



Work is being done across the local government sector to achieve this new business model in order to achieve challenges facing all councils including tighter public sector funding, an unfunded community infrastructure gap, increased numbers of councils with underlying operating deficits and workforce issues such as finding the right mix of skills for managers implementing change (*refer **Appendix F – Innovation in Local Government***).

#### 6.5.1 Innovative approaches

The Panel recommends that the following innovative approaches be actively pursued by the Administrators of the new municipality:

**Formalised Systems Encouraging Innovation** | this involves formal systems being put in place to assist managers to identify and communicate the benefits of innovation and innovative practices to staff and to the community.

**Review of Local Community Networks** | this requires a Council to identify potential organisations with whom it could form community partnerships and the best method to engage these organisations to obtain input into Council services from “the ground up”.

**Improved Information Communications Technology** | this involves the new municipality taking the learnings from work currently underway by peak bodies such as the MAV, the Australian Centre for Excellence in Local Government, and other local government bodies to identify how new advances in ICT can be utilised to increase efficiency and improve service delivery to communities. This includes advances in Cloud Technology and other improvements aimed at increasing information sharing, knowledge acquisition and other opportunities and benefits for residents along with potential cost reductions.

**Public engagement on service levels** | this may offer the most significant potential for reduced costs and great efficiencies. This requires full disclosure of service provision costs and detailed community engagement on achievable levels of service within available resources. For the new municipality this engagement will be essential. Service levels will need to be scrutinised and adjusted as appropriate to maintain control over costs. The Panel was not in a position to make specific recommendations on service levels except to say that they must be a priority of appointed Administrators and the elected council that follows.

## Part 6 - Recommendations

- The Panel notes it has taken in to consideration future growth prospects and strategic directions for the region (including those set out in Plan Melbourne, Regional Growth Plans and Growth Corridor Plans) which suggest a potential population of around 100,000, and recommend that this should be a minimum for establishing the future viability of the new municipality.
- That the new municipality identify and adopt innovative approaches in planning the delivery of services including partnering with community organisations, contracting out instead of direct provision of services, and resource sharing with neighbouring municipalities.
- That the new municipality undertake a detailed service evaluation and cost modelling (business service planning with community input) to determine, define and deliver specified service levels for the range of services for the new municipality.
- That the new municipality undertake a review of all fees and charges in the first 12 months with a view to ensuring user fees are set at a level that as far as possible recovers costs of the services provided.



## 7 Transition Process

### 7.1 Creation of the new municipality

There are three elements to the proposed restructuring:

- establishing the boundaries for the new municipality,
- consequential restructuring of the boundaries of the Hume City Council, and
- managing the transition between the two entities.

The Panel recommends the establishment of the new municipality on 1 July 2015 along with the consequential restructuring of the Hume City Council. The appointment of a Panel of Administrators and an Interim CEO for the new municipality should be made on this date. The Panel recommends that the Hume City Council prepare a budget for 2015-16 that includes the area that will become the new municipality. Therefore the Hume City Council should provide the same services and functions on behalf of the new municipality from 1 July 2015 to 30 June 2016 unless varied by the Panel of Administrators in agreement with Hume City Council.

The Panel recommends each relevant Council enter into agreement on the appointment, transfer, adjustment or determination of any property, assets, liabilities, expenses, staff or other matters within six months of the 1 July 2015 constitution date of the new municipality.

The newly constituted municipality is to have its own separate budget from 1 July 2016 with an orderly transfer of staff and transition of services to occur during the transition period and beyond as required.

### 7.2 Establishing an Administrative Structure

#### 7.2.1 Legislative Requirements and Considerations

Sections 220R and 220S of the *Local Government Act 1989* provide significant powers to restructure Councils. The Panel was mindful of the need to tread carefully in terms of setting paths to restructuring that would be unnecessarily traumatic or difficult. Amalgamations and de-amalgamations are complex processes that can cause disruption not only to council administrations but also to local communities. The Panel's recommendations to the Minister are made in this light, noting the potential in all such circumstances for unintended consequences.

The significant challenge in establishing an administrative structure is the timing for the creation of a viable entity with the capacity to trade and enter into agreements. The Panel's view is that the major considerations from a legal perspective are the need to create a situation providing as much certainty and clarity as possible in the circumstances.

### 7.2.2 Appointing Administrators and appointment of CEO

The Panel recommends that Administrators and an Interim CEO be confirmed prior to the new municipality being constituted so as to be in place from the creation of the new municipality on 1 July 2015

#### Terms of Appointment and Remuneration of Administrators

The Panel recommends the Term of appointment for the Panel of Administrators is 1 July 2015 to the next local government elections to be held in October 2016. The Panel recommends that the determination of the remuneration of the Administrators be at the discretion of the Minister taking into account precedent with the recent appointment of Panels of Administrators elsewhere in Victoria.

#### Skills Criteria Required of Administrators and CEO

The Panel recommends the Minister when considering the positions of Administrators take account of their experience and attitude towards best practice, knowledge of local government systems and requirements (finance, asset management, governance and service delivery in community based organisations), a sound understanding of the interactions within local communities and specific abilities to establish an organisation.

The Panel recommends the Administrators use the same criteria when considering applicants for the position of CEO of the new municipality, in addition to the capability to lead and manage a local government organisation.

### 7.2.3 Transition of Staff

The transition of any Hume City Council staff to a new municipality was an important issue the Panel examined. The Panel noted that the powers available to the Minister for Local Government were broad and that under S.220R (2)(b) of the Act a restructuring Order in Council could effectively transfer employees to a new municipal entity.

The new municipality will need to be responsible for 23.6 per cent (approximately 235 positions) of Hume City Council's total EFT workforce as at 30 June 2015.

The Panel recommends that the Administrators adopt a process for managing the orderly transfer of staff to the new municipality. This would include consideration of offers of employment during the transition period 2015-16 as considered desirable. Any further transfer of staff should be undertaken over time. It is noted that a number of staff of the Hume City Council operate from the Sunbury depot and there may be potential for a new municipality to offer employment to some of these staff. Nevertheless, such a process should be carried out over time following the establishment of the new municipality, and not via an overnight transaction. This will allow the CEO of the municipality to manage the transmission and for the employees to make informed decisions about their futures.

The Panel noted that whilst none of the trade unions took the opportunity to make a submission in relation to the proposal to constitute a new municipality and the implications of this for Hume City Council employees, the Panel recommends Administrators, with the CEOs of both municipalities, consult with and keep relevant unions fully informed in relation to the process of constituting the new municipality.

This process will also allow the new municipality time to consider the implementation of other efficiency objectives such as partnering with community organisations, contracting of services versus direct provision of services, resource sharing with neighbouring Councils, and purchasing services from Hume City Council for the transition period. This means that after constitution, a small number of staff should be added in the short term to help set up the new municipality's model for service delivery. This would occur in parallel with appropriate support from Hume City Council for the first six months or a lesser period if determined by the Administrators.

#### 7.2.4 Municipal office

The Administrators should consider the location of appropriate office accommodation for the new municipal office. The Panel considers it essential the municipal office complex for the new municipality is located in the Sunbury town area to be accessible by the community.

The Panel noted the previous Shire of Bulla Municipal Office was located at 36 Macedon Street Sunbury, and that this site is currently occupied by the Hume City Council and other tenants. The lease options for two major tenants in the complex expire within the next three years. Substantial revenue is generated from the leases as well as the tenants providing a significant number of employment opportunities (approximately 125 jobs) that are important for the local community.

The Panel reviewed a number of short, medium and longer term options for Administrators to consider when choosing a location for a Municipal Office. In the short term and until the staffing requirements are known, renting commercial space would be preferred to constructing new Council facilities. The size required will depend on the method of service delivery and number of staff required to deliver the services. These and financial considerations will need to be taken into account and decisions made by the Administrators.

#### 7.2.5 Service transition

A series of Memoranda of Understanding and Service Agreements should be established as soon as possible and within six months of the constitution of the new municipality between the Administrators and the Hume City Council to ensure the maintenance of services. The Panel is of the view that the Hume City Council be reimbursed a reasonable and competitive cost of providing the services and functions on behalf of the new municipality post the constitution date of 1 July 2015.

### 7.2.6 Efficiency objectives for new municipality

The Panel recommends that the Panel of Administrators, when establishing services in the new municipality; take into consideration the following when assessing how to improve efficiencies within the new organisation:

- the potential to create a new model for local government through a cost effective organisational structure,
- opportunities to partner with community organisations that have the capacity and governance arrangements to deliver services within the municipality,
- opportunities for contracting out of services instead of direct provision of services where services can be contracted out at market rates,
- opportunities for resource sharing with neighbouring councils as a means of reducing costs and improving services to residents, and
- scrutiny of existing service levels including forecast asset renewal expenditure levels with a view to reductions where there is community understanding and support.

## 7.3 Community Representation and Engagement during the Transition Period

An important transition issue considered by the Panel was the issue of representation for Hume City Council residents during the transition. The Panel was of the view that the existing Hume City Council should remain in place and be subject to as little disruption as possible. The Panel met individually with Councillors and Council management during the review.

The Panel noted that the bulk of the current Jacksons Creek Ward is part of the area recommended to constitute the new municipality. This Ward currently has three Councillors and the Panel noted the possibility some of the Councillors of Jacksons Creek Ward may find their continued role difficult or disrupted if a new municipality was formed as recommended by the Panel. Nevertheless Ward Councillors are elected to represent the entire municipal community, not exclusively the residents of their particular ward. It is therefore appropriate for these Councillors to continue in their current role on Hume City Council until the October 2016 elections. However if any of the current Jacksons Creek Ward Councillors were to resign during the transition period after the new municipality is created it would be inappropriate to have a new Councillor brought in to such a restricted role for such a short period. The Panel is therefore of the view that any vacancy thus occurring should not be filled.

### 7.3.1 Community Engagement

Given the weight the Panel has attached to 'community of interest' considerations, it is important that the new municipality create and maintain strong practices in relation to:

- reinforcing the sense of community and cohesion that exists,
- engendering confidence in the community that the new municipality is able to meet the communities' and ratepayers ongoing expectations, and
- involving the community in an ongoing way in the development of their Council and the ownership of delivering services – connecting communities, projects, and finance.

The Panel recommends Administrators immediately put in place a proactive community engagement process to communicate and receive feedback in relation to future Council strategies, plans and key operational issues.

## Part 7 - Recommendations

- That a Panel of three Administrators and interim CEO be selected and be in place by 1 July 2015 until the local government elections to be held in October 2016.
- That the division and allocation of assets from Hume City Council to the new municipality be dealt with in the following way:
  - a) immovable physical assets be determined by their geographic location in either Hume City Council or within the boundary of the new municipality with no requirement to ascertain the market value of these assets,
  - b) the market value of all non-physical and moveable assets of Hume City Council be calculated on the constitution date and an inventory of all moveable physical assets take place on that date,
  - c) the division and allocation of non-physical and moveable assets and liabilities including cash, investments, receivable and all entitlements and contingent liabilities be allocated on the basis of a ratio of 23.6 per cent of value to the new municipality and 76.4 per cent to the Hume City Council,
  - d) all transactions relating to the division and allocation of physical and non-physical assets and liabilities be completed and settled within six months of the constitution date of the new municipality, and
  - e) following separation and the conclusion of the settlement period of six months, Hume City Council and the new municipality to jointly commission an independent audit to ascertain the fairness of these transactions.

## Part 7 – Recommendations (*continued*)

- That the Hume Council prepare statutory and other organisational reporting processes for 2015-16 to enable dual reporting for Hume Council and the new municipality, ( i.e. : community plan, budget, planning applications, financial performance and operational reports); with the costs of this dual reporting negotiated by the Administrators and the Hume City Council noting the total maximum amount chargeable by Hume City Council to the new municipality for these services shall be \$1m.
- That the following actions be taken in relation to the first budget for the new municipality:
  - prior to the beginning of the 2015-16 financial year Hume City Council develop and adopt a budget which incorporates 'business as usual' expenditure for the area encompassed within the boundary for the new municipality including the declaration of all rates and charges and as of 1 July 2015 that budget becomes the budget of the new municipality and all rates and charges payable are payable to the new municipality (and collected by Hume City Council),
  - That Hume City Council, operating as a contractor, continue to provide municipal services and functions (including keeping separate account books and collecting rates, charges and fees) to the new municipality after 1 July 2015 in accordance with the budget until the Administrators decide otherwise but not later than within twelve months of the constitution date; and that Hume City Council be reimbursed the reasonable and competitive costs of providing these services, and
  - Memoranda of Understanding and Service Agreements to this effect be established as soon as possible between the Administrators and the Hume City Council following constitution of the new municipality.
- That the Administrators work with Hume City Council to effect an orderly transition of staff to the new municipality.
- That the existing Hume City Council remain in place until the 2016 elections but that if any Jacksons Creek Ward Councillor were to resign or otherwise leave office after Administrators are appointed and before the October 2016 elections, then that position on Hume City Council will be left vacant.
- That as a priority the new municipality commit to a significant program of community engagement to ensure community confidence during and after the transition period (2015-16) including the development of strong community networks.

## 8 Establishing a Revenue Base, and Budget

### 8.1 Financial Modelling

The Panel has undertaken a careful financial analysis of Hume City Council<sup>7</sup> and developed an approach and method to:

- ☐ extract the 2013-14 budget figures for the proposed new municipality,
- ☐ develop an indicative balance sheet,
- ☐ prepare an indicative income statement,
- ☐ apportion service delivery costs across the new municipality, and
- ☐ develop a capital works statement and calculate the renewal demand for infrastructure.

The Panel takes the view that any such financial analysis and prospective documentation entailed a range of assumptions. Therefore rather than make detailed recommendations as a result of its financial analysis, the Panel's preference is to offer a possible roadmap for the new municipality that offers some flexibility and a range of options. In addition, the analysis indicates that a restructured Hume City Council will be viable.

A key assumption made in the analysis is an asset/cost apportionment ratio between Hume City Council and the new municipality. This is set at 23.6 per cent as this was the percentage of total service expenditure currently allocated to the area proposed for the new municipality. The Panel is of the view that this was a more meaningful apportionment method than alternatives; for example a conventional population ratio.

The financial modelling undertaken refines earlier work carried out by KPMG which proposed rate increases of 8.9 per cent above the Hume City Council forward projections of 5.3 per cent, giving the residents of the new municipality annual rate increase of 14.2 per cent if all factors remained the same. The modelling developed by the Panel identifies five financial planning options for a new municipality.

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<sup>7</sup> Refer **Appendix G** - Indicative Financial Analysis : Sunbury out of Hume (CT Management Group)

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- Option 1    The first option forecasts a 5.5 per cent annual rate increase for the 10 year timeframe of the long-term financial plan. This option takes into account revenue from the sale of the Racecourse Road development and transfer of a proportion of rates in lieu from the Melbourne Airport 'rates in lieu' from Hume City Council to the new municipality.
- Option 2    Option two treats revenue from the sale of the Racecourse Road development as a financial asset and apportions it in accordance with a service ratio of 23.6 per cent payable to the new municipality and the balance to the Hume City Council. This option apportions no revenue from the Melbourne Airport 'rates in lieu' to the new municipality.
- Option 3    The third option is essentially the second option with no revenue from the Melbourne Airport 'rates in lieu' or revenue from the sale of Racecourse Road development being apportioned to the new municipality from Hume City Council.
- Option 4    This option is similar to option 1 except it transfers more revenue from the Melbourne Airport 'rates in lieu' to offset the early cash shortage incurred by the proposed municipality. These additional funds alleviate the need for new borrowings.
- Option 5    This option again transfers revenue from the Melbourne Airport 'rates in lieu' but includes a revised capital works program which allows the Hume City Council proposed major projects to be delivered within the first 10 years. Funding for these projects is sourced from increased borrowings and reallocating asset renewal funds to the new works.

The Panel is of the view that with an annual rate increase of 5.5 per cent per annum for the next 10 years, plus transfers of revenue from the Racecourse Road development and equitable revenue from Melbourne Airport as per Option 5, the proposed new municipality could make decisions in line with community expectations and a sound financial framework.

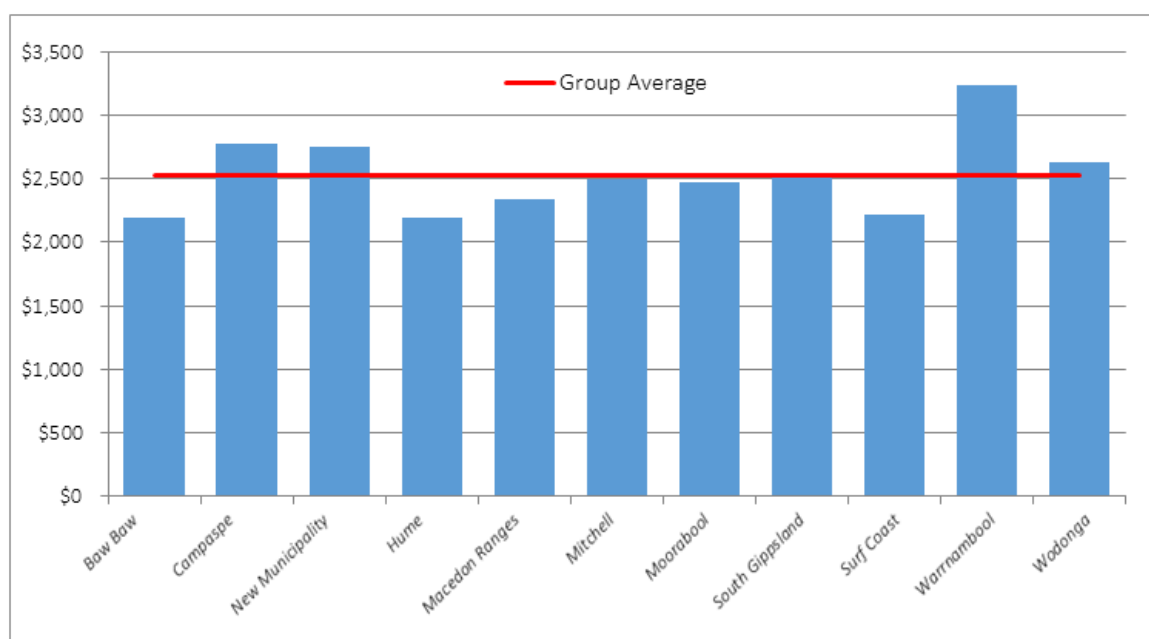
All five options:

- ☐    contemplate an indicative \$3.4m establishment cost for the new municipality,
- ☐    hold borrowings constant at \$10m (through differing take up times),
- ☐    include capital works commencing at a base of \$10m growing to \$18.2m over the 10 year period, and
- ☐    allow the new municipality to meet its renewal demand during the 10 year planning timeframe with option 5 retaining a significant renewal gap over the 10 year period.

From an expenditure perspective the new municipality's adjusted expenses are above the benchmark group of councils as at June 2013, indicating that it is likely to be a higher cost municipality than most other comparable councils based on present cost structures of Hume City Council.



Table 9 | Adjusted total Expenses (ex depreciation) per Assessment – 2013



Hume (inclusive of Sunbury) has been included for comparative purposes against the proposed new municipality.

Refer also to the comparative statistics for some of the above Councils in *Appendix I*.

Employee costs as a proportion of total expenses are the second highest of the group without efficiency gains. This is because the proposed municipality effectively inherits an urban cost structure that is possibly higher than it needs to be, given the smaller initial size of the new municipality.

The Panel, after considering the financial information available, is of the view that reductions in operating costs can be achieved and are essential. The Panel recommends the new municipality consider alternative and methods of service delivery such as those referred to in paragraph 7.2.6.

The proposed new municipality has service costs in the vicinity of \$44m for provision of approximately 120 services. Whilst the expenditure per service area has been calculated the level of service is not documented at Hume City Council, so whilst the same level of service is assumed by the cost allocations, it is not documented on a service by service basis.

An income statement has been allocated between the area of the proposed new municipality and the remainder of Hume City Council which shows an income of \$40.3m resulting in a budgeted deficit of \$3.72m as at 30 June 2014. The 2013-14 Budget has been used as a basis for cost and revenue allocation.

The Panel is of the view the proposal to establish a new municipality and the continuation of the remaining area in the Hume City Council are sustainable in the longer term subject to the considerations discussed. This view is based on the known financial information available to the Panel

and the financial inputs into the modelling undertaken by CT Management Group.

## 8.2 Setting of Rates, Fees and Charges for Future Years

Options 1, 4 and 5 in the previous section identify a 5.5 per cent annual rate increase for the 10 year timeframe of the long-term financial plan taking into account transfer of revenue from the sale of the Racecourse Road development and a proportion of revenue from the Melbourne Airport to the new municipality. Options 2 and 3 are not considered to be financially sustainable as they require significant rate increases for several years in line with the estimates made by the 2012 KPMG report. For rating stability and certainty for ratepayers, the Panel recommends that the rate increase for the new municipality in 2016-17 be no more than 7 per cent (as compared to 14.2 per cent proposed in the KPMG report) and no greater than 6 per cent for each of the following 3 years.

The KPMG report recognised the funding deficits which arose when the proposed Council was formed and proposed annual rating increases of 8.9 per cent above the HCC Strategic Resource Plan forward projection of 5.3 per cent. This would require the residents of the proposed Council to incur annual rate increases of 14.2 per cent, along with a reduction of \$4.0m in capital works in 2014/15. The KPMG report was based on high level financial analysis.

Should Options 1, 4 or 5 be considered satisfactory then modelling indicates that an annual rate increase of 5.5 per cent for ten years would actually be required.

From a rating effort perspective the proposed Council will be a relatively low rating effort municipality from inception.

Figure 3 : Rates and Charges/Assessment 2013

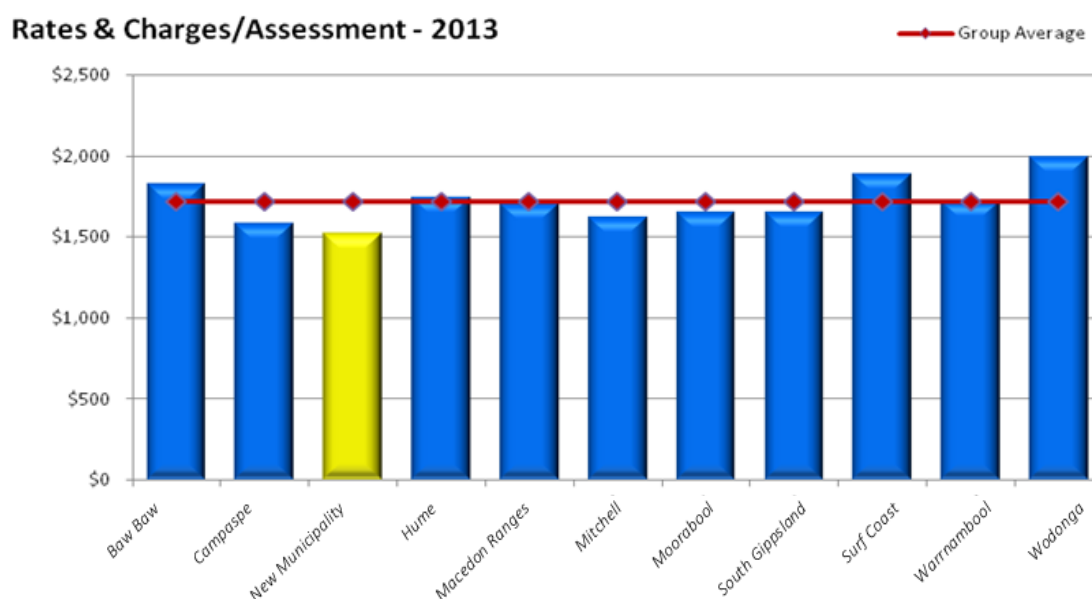
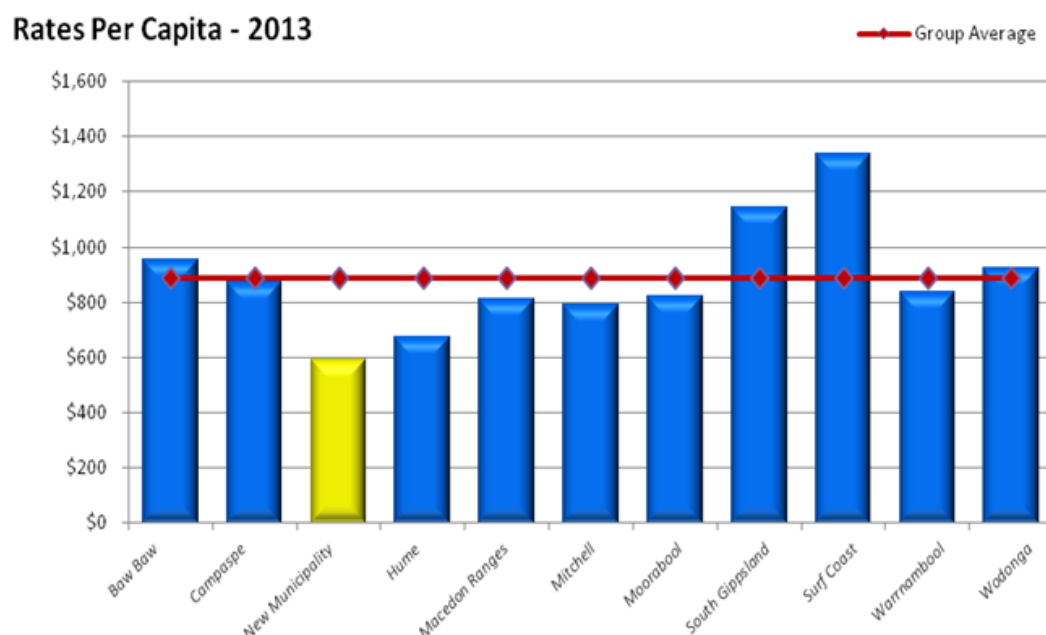


Figure 4 : Rates per Capita



Hume City Council currently receives 'rates in lieu' from the Melbourne Airport. A portion of these funds had been used to support works and services indirectly associated with the location and the Melbourne Airport within the Hume City Council. The Panel considers it appropriate the proposed new municipality has initial access to a portion of the annual 'rates in lieu' payment to ensure an equitable apportionment of rates, assets and liabilities. As these funds are being utilised to deliver services and infrastructure works to the broader Hume community it is considered reasonable to apportion the 'rates in lieu' as follows to the proposed new municipality:

- ☐ 50 per cent in the 2015 – 2016.
- ☐ 40 per cent in the 2016 – 2017 year.
- ☐ 30 per cent in the 2017 – 2018 year.
- ☐ Then in line with the distribution of service costs at 23.6 per cent of rates in lieu for the fourth to the tenth year inclusive.

In addition to the revenue taken into account in the financial modelling the Panel recommends:

- ☐ The proceeds of the sale of Racecourse Road be apportioned to the municipality within which the residential subdivision project falls i.e. the proposed new municipality.
- ☐ That the new municipality review all fees and charges.

### 8.3 Establishment Costs of New Municipality

The results of the Review Panel in the year 2000 approximated the establishment costs at \$2.2m, and

the 2013 KPMG Review provided a range of \$3.5m to \$4.4m as likely establishment costs.

Using the work undertaken by the two previous reviews in 2000 and in 2013 as a guide, and for the purposes of the financial modelling in this report, the establishment costs for the new municipality have been approximated at \$3.4m (\$2.2m in operating plus \$1.2m in capital). There is the capacity, if necessary in relation to changing priorities, to significantly increase the allocation in capital expenditure depending on the future decisions of Administrators in relation to various matters (i.e. information technology, office accommodation etc.) in establishing the new municipality.

It is difficult to be precise with establishment costs as circumstances will change and there will be a range of choices and decisions to be made during transition. The Panel is of the view there will be considerable accounting, legal, service provision and human resource matters to be considered and decided on. The Administrators and the interim CEO will be best placed to make such decisions.

However any establishment costs associated with the new municipality should be borne by that new municipality. This was the principle adopted by the Queensland Government in recent de-amalgamation processes and the Panel believes it is a sound one.

## 8.4 Assets and Liability Apportionment

### 8.4.1 Allocation Principles

The indicative balance sheet was constructed through allocation of the Hume City Council 2013 Budget between the area of the proposed new municipality and the remainder of the Hume City Council. Allocations were made on the basis of three attributes:

- ☐ rateable properties,
- ☐ service delivery, and
- ☐ Property Plant and Equipment – by individual allocation per asset category.

### 8.4.2 Property Plant Equipment and Infrastructure

Allocation of Property Plant Equipment and Infrastructure was made against asset attributes derived from the Hume City Council Asset Register.

Hume City Council currently owns a 51hectare parcel of land located at Racecourse Road Sunbury with planning approval for the development of this land imminent. The agreement negotiated with the developer will see a significant development fee paid to Hume City Council upon planning approval to develop the land in addition to an additional return over the expected four year life of the project. As the development is located within the boundaries of the proposed new municipality, the Panel is of the view that the development fee and all other revenue resulting from the purchase of the lots be allocated to the new municipality. This will contribute to a sustainable future for the new municipality. This allocation of the funding in this manner is included in the financial modelling for

the new municipality.

The Panel recommends that any assets currently located in the area of the new municipality not be sold by Hume City Council between now and the establishment of the new municipality as any such decision should be made by the new municipality following its establishment. This is separate from the Panel's conclusion regarding the Racecourse Road development which is discussed in paragraph 8.2.

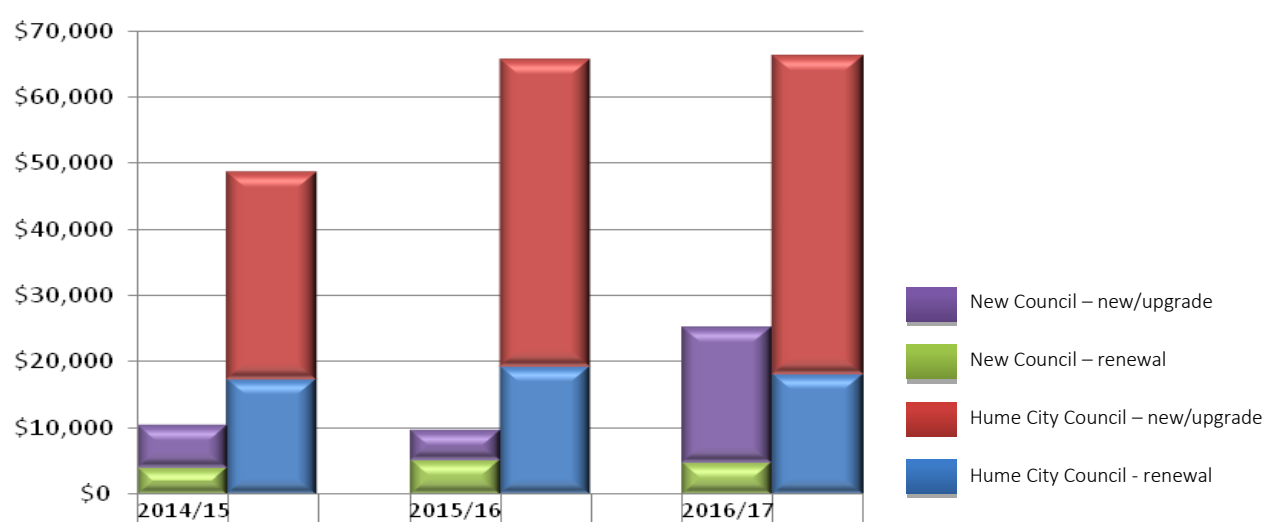
## 8.5 Forward Capital Works Program

Hume City Council 2013-14 budget shows a capital works program of \$75.7m. This includes \$19m of carry forward works from previous years. The capital delivery performance history shows an average around delivery of 71.24 per cent of the budget program since 2010-11. The Hume City Council capital works breakdown between renewal, new and upgrade demonstrates an average of 51.14 per cent of the renewal program was delivered between 2010-11 and 2012-13. On average 34.2 per cent of the capital works program has been carried forward the previous three financial years before 2013-14.

Hume City Council proposed to spend \$48.5m on capital works not including carried forward projects) during 2014-15 of which \$10.5m (23 per cent) was allocated to projects in the Sunbury area.

The figure below (Figure 5) shows the respective allocations broken up into proposed expenditure on asset renewal and new and upgrade works.

Figure 5 | Hume City Council - 2013/14 - 3 Year Forward Capital Works Program (\$'000s)



When assessing this information it can be concluded that Hume City Council has the capacity to deliver approximately \$52m of capital works each year and using this average expenditure figure and distributing works across the municipality based on property numbers (the area of the new

municipality has 21.1 per cent of the properties) provides an estimate of the level of capital works expenditure which could be allocated to the proposed new municipality of approximately \$10.9m. A capital investment of \$10m was allocated as an initial starting point for the financial modelling to test the sustainability of the proposed new municipality.

The capital program will grow to \$17.52m in the last year of the 10 year long-term financial plan with \$85.1m invested in renewable (against demand and \$93.68m) and \$68.7m invested in new assets during that period. The capital program will invest with \$85.1m invested in renewable during the 10 year timeframe. This approach to increasing renewal funding over time has been built into the financial model that supports this report.

A review of the asset renewal funding position of Hume City Council details demand of \$24.3m in 2014-15 but funds \$17.2m (or 71 per cent) over the ten year outlook projected to be funded. Renewal investment proposed by Hume City Council to be invested in the proposed area over the next three financial years is \$13.52m with renewal demand for that period at \$22.89m.

Accordingly Hume City Council's intended investment over the next three years in the proposed area of the new municipality is 59 per cent of demand. On average the renewal demand for infrastructure assets in the new municipality is \$7.02m per annum with non-infrastructure assets averaging \$1.18m – a total of \$8.2m over the next 10 years.

The 2013-14 allocation for renewal assets reflects the renewal funding currently allocated to the proposed area by Hume City Council. The assumptions underpinning the financial modelling include:

- ☐ Council sources funds of \$10m per annum,
- ☐ short life assets (plant, equipment, furniture etc.) renewal to be fully funded from year one,
- ☐ infrastructure asset renewal to be fully funded within 10 years,
- ☐ Council to initiate Developer Contribution Plans (DCP) for greenfield development land (land development profile in accordance with Sunbury HIGAP Final Delivery Strategy – cost as per strategy, timing moved out one year),
- ☐ Council be required to fund an additional 20 per cent of costs associated with DCP (industry average surcharge on DCPs), and
- ☐ balance of funds to be allocated to new and upgrade capital works.

## 8.6 Borrowings

The CT Management financial modelling indicates the new municipality will commence with a loan liability of \$5.6m.

To retain an acceptable cash position and allow for capital works projects in Options 1, 2, and 3, the consultants have included an additional \$10m of loans to be raised in the first 10 years of operation. Modelling shows that the loan balance reduces to less than \$3.27m by year 10.

Option 4 has been developed to present a scenario where new borrowings are minimised. Option 5 includes an additional \$14m of loans to be raised to help fund the major projects identified. All options which include borrowings may have different take up timing. The debt levels for the proposed new municipality are low when benchmarked against the benchmark of the group of Councils.

## 8.7 Conclusions regarding a Revenue Base

The Panel considers that the following parameters are necessary to secure a financially sustainable municipality:

- ☐ a sustainable initial cash balance,
- ☐ sustainable borrowings,
- ☐ a capital works program capable of funding required infrastructure (e.g. municipal offices),
- ☐ the potential to achieve full asset renewal over time, and
- ☐ a sustainable and affordable level of rate increases.

To achieve these outcomes, the Panel recommends that the new municipality seek if possible to accommodate Financial Option 5, on the proviso of the allocation of the funds from the sale of the Racecourse Road project and a share of 'rates in lieu' from Melbourne Airport as described previously.

Such an arrangement will provide for sufficient support for the new municipality and permit it to plan ahead with some security. The Panel notes that the proposed option incorporates significant major projects currently proposed for Sunbury by the Hume City Council including among others the Global Learning Centre, Sunbury Aquatic Centre upgrade and works for the Goonawarra Recreation Reserve. The estimated costs of these capital works are significant but only rough estimates can be provided at this stage of their anticipated costs. The Panel wishes to restate the inherent assumptions and risks involved in including these proposed projects into cost estimates and as such recommends that the new municipality carefully consider all such major projects and their affordability (including debt financing) through community consultation.

Finally, the Panel reiterates its view that the restructured Hume City Council will be economically viable.

## Part 8 – Recommendations

- ☐ That the rate increase for the new municipality in 2016-17 be no more than 7 per cent (as compared to 14.2 per cent proposed in the KPMG report) and no greater than 6 per cent for each of the following 3 years.
- ☐ That, for a period of 10 years, a payment equivalent to a proportion of the Melbourne Airport 'rates in lieu' currently paid to the Hume City Council be transferred by that Council to the new municipality on the following basis – 50 per cent in the 2015-16 year, 40 per cent in the 2016-17 year, 30 per cent in the 2017-18 year, and then at 23.6 per cent for the fourth to tenth year inclusive.
- ☐ That all proceeds of the sale of the Racecourse Road residential subdivision be allocated to the new municipality in line with all assets which fall within that municipality.
- ☐ That the establishment costs for the new municipality be borne by the new municipality.
- ☐ That the new municipality review all fees and charges.
- ☐ That any assets currently located in the area of the new municipality not be sold by Hume City Council between now and the establishment of the new municipality as any such decision should be made by the new municipality following its establishment.
- ☐ That the new municipality over time consider the benefits of introducing a differential rating system.



## 9 Additional Issues Considered By The Panel

### 9.1 The Role of the Victorian Electoral Commission (VEC)

The Panel has not taken any view as to the internal structure of the new municipality. This is a role for the Victorian Electoral Commission pursuant to the *Local Government Act 1989*.

The VEC will undertake a review of the Ward boundaries and the number of Councillors to be elected in the City of Hume in the 2015-16 year. For the new municipality, the VEC will be required to undertake a review that examines if the municipality should be divided into wards or be un-subdivided as well as making recommendations regarding the appropriate number of councillors. Both reviews will be required to be undertaken in the 2015-16 to permit elections to take place in October 2016.

### 9.2 Process of Establishing Local Laws and Planning Schemes

As per the requirements of the *Local Government Act 1989* Hume City Council currently has a Meeting Procedure Local Law. In addition, Hume has a general local law that combines a range of amenity requirements typical of local governments in Victoria.

The Panel recognises that local laws are an important instrument by which Councils can express their expectations of conduct and behaviour in their own community. For the purposes of continuity and certainty, the Panel believed that the existing local laws in operation in the Hume City Council should continue until the Council of the new municipality decide to make their own local laws.

The Panel recommends that for the purposes of transition, the existing local laws in operation in Hume City Council continue to apply in the new municipality.

As per the requirements of the *Planning and Environment Act 1987* the Hume City Council has a planning scheme in place including zones and consequential overlays. It is important that residents of the new municipality involved in current planning matters are not disadvantaged in any way during the transition process. The Panel recommends that for the purposes of continuity that following establishment, the new municipality retain the current Hume City Council planning schemes which will continue to apply until the new municipality seeks to change them.

### 9.3 Process for Resolving Disputes

The Panel is cognisant of the potential for major disputes to arise during the transition process although it is hopeful that will continuing co-operation between the Administrators and Hume City Council will be achieved through what will be a challenging time for all parties. A range of mechanisms can be considered for resolving matters that may arise between the parties including mediation and dispute settling processes. As a last resort the Panel notes that the Local Government Act provides a mechanism for resolving disputes between councils.

## 9.4 Impact of Future Growth

The Panel notes the significant population growth predictions for the outer north western area of Melbourne. Long term plans to address this population growth have recently been released or are under active development. These include Plan Melbourne and the ongoing the work of the Metropolitan Planning Authority. The Panel notes government has committed to an ongoing review of the Urban Growth Boundary. In these circumstances the Panel recommends the Government continue to monitor and assess 'community of interest' considerations in the broader region surrounding the new municipality

### Part 9 - Recommendations

- ☐ That a review of Ward Boundaries and the appropriate number of Councillors for Hume City Council and the new municipality be undertaken by the Victorian Electoral Commission prior to the October 2016 Council Elections
- ☐ For the purposes of transition, the planning schemes of the Hume City Council that currently apply to the area proposed to constitute the new municipality continue to apply until they are changed by the Administrators or the elected Council after October 2016.
- ☐ For the purposes of transition, the existing local laws in operation in Hume City Council continue to apply in the new municipality until they are changed by the Administrators or the elected Council after October 2016.
- ☐ The Panel notes section 9 of the Local Government Act 1989 allows for a board of inquiry appointed by Governor in Council to determine disputes between councils and that in the event of an intractable dispute between the new municipality and Hume City Council over any of the issues set out in this report, this is an option to be considered by the Minister.
- ☐ That the Minister consider informing the Minister for Planning about future population growth requirements in both the new municipality and Hume City Council in relation to any adjustment of the Urban Growth Boundary foreshadowed in Plan Melbourne to facilitate planning outcomes and to accelerate population growth.
- ☐ That given population growth and the ongoing implementation of strategic plans including Plan Melbourne, the work of the Metropolitan Planning Authority and ongoing review of the Urban Growth Boundary, the Government continue to monitor and assess 'community of interest' considerations in the broader region surrounding the new municipality.