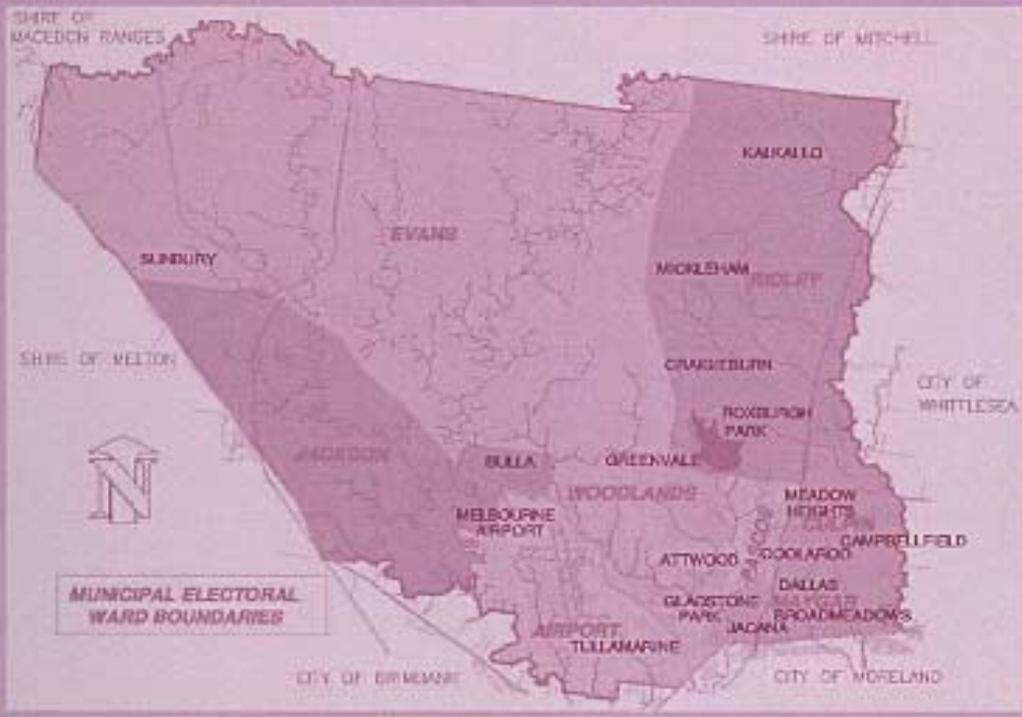


review of the

possible restructuring of the hume municipality

The report of the Local Government
(Hume City Council) Review Panel
October 2000



REVIEW OF THE POSSIBLE RESTRUCTURING OF THE HUME MUNICIPALITY

**The report of the Local Government
(*Hume City Council*) Review Panel**

October 2000

Local Government Division
Department of Infrastructure
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The Hon Bob Cameron MP
Minister for Local Government
Level 21, 80 Collins Street
MELBOURNE 3000

31 October 2000

Dear Minister

LOCAL GOVERNMENT (*HUME CITY COUNCIL*) REVIEW PANEL

On 15 June 2000 you appointed this panel to conduct "a review of the feasibility and viability of the Hume City Council becoming two separate municipalities". We are pleased to provide our report for your consideration.

The terms of reference given to the panel were quite broad and we are of the view that we have dealt with each matter. However, from the outset we considered that the basic requirement for the proposal to proceed would be certainty as to the ongoing financial sustainability of a new "Shire of Sunbury".

We believe that the proposal simply does not clear the financial hurdle, and therefore we did not examine the non-financial criteria in as much depth as we would have done if this were not the case.

Our report concludes that

- (a) the remaining municipality east of Deep Creek would gain a financial benefit; but
- (b) the rates for those people in the area west of Deep Creek would need to be increased by at least 63% for that new council to be financially viable.

Early in the process we were exposed to the passion and sensitivity created by the proposal and it was clear that the Sunbury Residents Association (SRA) was the prime driver in seeking the creation of a new "Shire of Sunbury". Most of the other submissions expressed strongly held views, but did not provide much in the way of factual input. We met with representatives of the SRA on three occasions, conversed by telephone and received a number of written submissions from that body.

Consequently, the report deals extensively with issues raised by the SRA. We feel that we understand the SRA's position well and have taken it into account in drawing the conclusions contained in our report to you. The panel takes a different view to the SRA on many of the issues it raised.

We consider that the creation of a new "Shire of Sunbury" would impose a significant financial burden on Sunbury residents and ratepayers. Therefore, we suggest that the findings of this report should be made available to the community in a manner that ensures that the cost impact of the proposal for separation is clearly understood.

We wish to take this opportunity to thank Ms Jane Herington, who was seconded to assist the panel, for her commitment, objectivity and quality of input.

Yours sincerely

Roger Male
Chairperson

Julian Stock
Member

OVERVIEW

In June 2000 the Minister for Local Government, the Hon. Bob Cameron MP, appointed a Panel under Section 220A of the Local Government Act 1989 to undertake a review of the possible restructuring of the Hume municipality.

The primary purpose of the review was to examine the “*feasibility and viability of the Hume City Council becoming two separate municipalities, one being based in the Sunbury area, being the area within the Hume City Council west of Deep Creek.*”

The history of activity in the area to effect the establishment of a new municipality based in the Sunbury area has been a fraught and emotional one. It has become obvious to the Panel that many people who live in Sunbury rate their semi-rural lifestyle highly, which translates into an enthusiastic pride in, and a strong desire to protect, their community. There is a perception within a segment of the Sunbury community that the current municipal arrangements do not meet their aspirations. This perception, and the strength of feelings held, are part of the reason this review was established.

The Panel's report highlights a range of issues that underpin these perceptions.

During the course of the review, the Panel conducted extensive investigations from June to October 2000.

Consultation

The Panel undertook a public consultation and information gathering process. It:

- convened two public meetings attended in total by about 200 people;
- invited submissions by writing to 32 organisations with a potential interest in the proposal and encouraged public input by advertising in local newspapers;
- received 101 written submissions from interested parties;
- held over 30 meetings with a range of people who had expressed an interest in providing information to the Panel, or who had expertise in particular areas of local government that were relevant to the Panel's inquiries; and
- physically inspected all significant facilities within the boundaries of the Hume City Council.

Financial Modelling

The Panel undertook a rigorous financial analysis in order to assess the viability of the proposed separation. It:

- developed revenue/expenditure models for the two proposed municipalities based on a detailed examination of every operating, administrative and management function of the Hume City Council;
- examined and assessed the relevance of about 3,800 individual items of income and expenditure in the Hume City Council's 2000/01 budget;
- tested the reasonableness of the models against the financial results of Victorian municipalities of a similar size; and
- examined the Hume City Council's balance sheet and determined an equitable division of assets and liabilities.

On a number of occasions when developing assumptions and assessing options, the Panel faced the dilemma of having to decide which assumption or option would be the most appropriate. This usually arose when a number of potential alternatives were

available and any one of them could have been reasonably applied to the issue being considered. In such a case, the Panel always chose the assumption or option that would be most favourable to the creation of a new municipality based in the Sunbury area.

Response to the Sunbury Residents Association

The Sunbury Residents Association was recognised as the main proponent of the proposal for a new municipality based in the Sunbury area, and the Panel conducted a detailed and objective assessment of the various submissions from that body.

Terms of Reference

The Panel has considered all of its terms of reference and the range of issues raised relating to them. Its conclusions address a number of important issues that deal with non-financial issues. However, the Panel is strongly of the opinion that the most important consideration is the financial impact that the proposal would have on the residents and ratepayers of Sunbury. The financial issues therefore took precedence in its examination of whether or not the proposition for a separation is viable. The Panel may have considered non-financial issues more extensively if the potential financial viability had been established. However, it clearly was not.

Based on the above the Panel came to a number of conclusions.
--

- 1. The Panel accepts that many people sincerely believe that Sunbury is a unique community. However, the Panel is of the opinion that this, in itself, is not sufficient reason to create a separate “Shire of Sunbury”.*
- 2. The Panel does not consider that the proposed municipality based on the Sunbury area would be economically viable.*

Assuming that the current level of service is maintained, the proposed Sunbury municipality would incur an annual operating deficit of about \$2.13m and, after providing for capital works, a total annual deficit of about \$3.74m.

Even though the Hume City Council currently generates an operating surplus in excess of \$8m, the ratepayers of the Sunbury municipality would be penalised (as compared to remaining within the Hume City Council) mainly because:

- “Sunbury” would lose its share of the revenue generated from the significant industrial rate base and other facilities located east of Deep Creek;
- “Sunbury” would lose its share of the revenue derived from the Melbourne Airport and Note Printing Works;
- “Sunbury” would be unable to share the services currently provided by the Hume City Council’s senior management structure and would have to establish a structure of its own;
- “Sunbury” would be unable to share the Hume City Council’s administrative services (such as information technology, communications, payroll, accounting and finance) and would have to establish separate administrative structures of its own;
- “Sunbury” would have to spread its costs over a much smaller population base; and

- “Sunbury” would have to bear the cost of a separately elected Council and additional councillors.

3. *The Panel compared the new municipality with other Victorian councils and considered whether it could be sustainable in the longer term. It concluded that the new municipality is not viable now and, unless there were significant changes in circumstances, is unlikely ever to generate sufficient revenue to support a reasonable level of municipal services on a stand-alone basis.*

The proposed Sunbury municipality would be financially viable only:

- if rates were increased from their current level; and/or
- if services were reduced significantly.

Rates would need to be increased by a total of **63%** to make up the deficit.

This would equate to a **\$363** per property charge (as a flat rate charge across all classes of property).

4. *On the other hand, the remaining residents and ratepayers of the Hume City Council would benefit, mainly because:*

- their new municipality would retain most of the Hume City Council’s significant industrial rate base and revenue generating facilities located east of Deep Creek; and
- the revenues generated from those sources would be available to a smaller population.

5. *The Panel estimates that the ongoing consequences of splitting the Hume City Council into two municipalities would be to add about \$2.9m in expenditure each year. The one-off establishment cost would be about \$2.06m.*

The Panel is of the opinion that this expenditure represents a waste of ratepayers’ money.

6. The Sunbury community would suffer from adverse financial consequences of a de-merger, and the Panel is of the opinion that the proposal to split the Hume City Council into two is therefore ill advised.

Recommendations

The Panel recommends:

That separation of the Hume City Council into two municipalities not occur, due to the significant detrimental financial impact on the residents and ratepayers of the proposed “Shire of Sunbury” and the high costs, both immediate and continuing, of establishing and maintaining two new entities.

That the appropriate facts with regard to the financial impacts be made available to residents of the Hume City Council in a way that maximises public understanding of the cost issues involved.

That the Hume City Council be encouraged to further develop strategies that recognise and respond to the strength of pride and identity obviously felt by residents of Sunbury and district.

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SECTION ONE: INTRODUCTION

- 1 In June 2000 the Minister for Local Government, the Hon. Bob Cameron MP (“the Minister”) appointed a Panel under Section 220A of the Local Government Act 1989 to undertake a review of the possible restructuring of the Hume municipality.
- 2 The primary purpose of the review was to examine the “*feasibility and viability of the Hume City Council becoming two separate municipalities, one being based in the Sunbury area, being the area within the Hume City Council west of Deep Creek.*”
- 3 The complete terms of reference for the Local Government (*Hume City Council*) Review Panel (“the Panel”) are contained in Attachment 1.
- 4 Of particular note is the obvious emphasis of the terms of reference on the financial cost impacts of such a proposal. The Panel was charged with determining the extent of any impact, including the financial cost, on the Sunbury residents and ratepayers, as well as further references being made to the impact on “*service delivery and their cost to local residents*”, and the “*administrative, financial and rating impact of any proposal*”. The Panel accepts that the financial impacts of the proposal are paramount in considering its “*feasibility and viability*”.
- 5 Importantly, the Panel was also required to consider these issues on the basis that “*in the event of any creation of a new municipality, there is to be no substantial impact on the remaining residents and ratepayers of Hume*”.
- 6 The Panel set about its task aiming to:
 - a) understand and appreciate the views and aspirations of a wide range of residents of the Hume municipality, and Sunbury in particular, including those both for and against the proposal for a new municipality;
 - b) assess the key issue of the real financial costs of the proposal and the long term sustainability of a proposed new municipality;
 - c) consider other issues - including social, demographic, topographic, economic and governance issues – and their impact on a proposed new municipality, if indeed it proved to be financially viable;
 - d) provide clear information to all Sunbury residents about the impact for them of such a proposal; and
 - e) ensure that equity and fairness were applied, and that the balance of Hume residents and ratepayers were not disadvantaged.
- 7 The Panel thought it important to understand the background to this issue, but did not consider history to be the relevant basis for future decision-making. The task before the Panel was to assess the future impacts of establishing two separate municipalities. Therefore it simply has not dealt with ancillary issues raised in submissions, such as “*Sunbury should never have been amalgamated with Hume in the first place*”. It is considered such matters are no longer relevant to the proposition now being examined.
- 8 The Panel was appointed by the Minister to provide an independent assessment of the proposal to separate the Hume City Council into two municipalities. It considered the

issues solely on the basis of its impact on the residents and ratepayers of the Hume City Council, and did not take into account any issues that might arise in other municipalities.

- 9 The members of the Panel had no current or past associations with the Hume City Council and had no preconceived views prior to commencing their deliberations.

BACKGROUND

- 10 The Hume City Council was formed on 15 December 1994 as a result of amalgamation of the old Shire of Bulla with part of the City of Broadmeadows and part of the City of Keilor.
- 11 The proposal resulting in the State Government's commitment to undertake this Review is the formation of a new municipality west of Deep Creek, hereafter referred to as the "Shire of Sunbury".

(Note that throughout this report the existing township is referred to simply as Sunbury, but the proposed new municipality is referred to as "Shire of Sunbury" or "Sunbury". The current municipality of Hume is referred to as Hume City Council, and the new municipality that would be created by separation, and which lies to the east of Deep Creek, is referred to as "Balance of Hume").

- 12 The boundary changes suggested for the "Shire of Sunbury" are as proposed by the Sunbury Residents Association (the "SRA") in its submission to the Minister for Local Government on 25 October 1999, recognising that Deep Creek forms a natural boundary. ¹
- 13 Attachment 2 shows a map of the Hume City Council, including the proposed boundary of the "Shire of Sunbury".
- 14 In October 1994 the Interim Report of the Local Government Board recommended that "*part of the Shire of Bulla east of Deep Creek*", (which included the airport), become part of the proposed City of Hume, and that the "*part of the Shire of Bulla west of Deep Creek (including the Sunbury township but excluding the Diggers Rest area west of the Calder Highway) be considered as part of the North Central Review*". ²
- 15 When the Final Report was issued in November 1994, this was discussed further. The Shire of Bulla submitted its preference for the parts of the Shire to remain as one, and raised concerns about the environmental management of Deep Creek and the noise impacts from Melbourne Airport, both of which it felt could be better dealt with in one municipality. The Report also states that the Shire of Bulla sought residents' opinions on the future location of Sunbury township given the Board's proposed City of Hume, and stated that:

"The majority felt that the Shire of Bulla should remain intact as part of Hume". ³

- 16 The Report concluded that:

"Opinions on this proposal clearly differ. The Board has considered all the views put forward subsequent to its interim report and has decided, on balance, to recommend that all of the present Shire of Bulla, with the exception of the area west of the Calder Freeway at Diggers Rest, should be included in the proposed City of Hume". ⁴

- 17 From this point, the SRA has asserted that that decision was inappropriate and that community expectations have not been met. For a number of years the SRA has continued to put its position, both locally and to State Government, that Sunbury should not be a part of Hume City Council. A number of members of the SRA are former Shire of Bulla Councillors.
- 18 In October 1999, the SRA made a submission to the Minister proposing changed municipal arrangements for Sunbury and district, and requesting that a poll of the

Sunbury community be held. The proposal was for a new “Shire of Sunbury” (not for a return to the old Shire of Bulla boundaries), by “*withdrawing the area between Deep Creek and the current municipal boundaries between the Shires of Melton and Macedon Ranges. Therefore only the Hume municipality would be affected by the required change*”.⁵

- 19 The Hume City Council has been operating since amalgamation in late 1994. The return of elected Councillors to Hume City Council in 1997 saw Sunbury represented by 2 out of a total of 8 councillors. During the first term of Council, each of the Sunbury councillors served a one-year term as Mayor of the City.
- 20 Tensions within the Hume City Council itself seem to have emerged over that period, including significant personal animosities, some of which have spilled over in dealing with certain decisions (as reported in the media at the time). This situation appears to have improved since the March 2000 election of a new Council. Based on discussions with various individual Councillors, the Panel has been impressed by their expressed attitudes that they are there to govern for the community of Hume as a whole and not just for sectional interests within the city.
- 21 The Minister responded to the SRA’s submission by suggesting that the Hume City Council conduct a voluntary poll to ask the community of the Hume City whether or not it supported Council requesting the Minister to appoint a panel to investigate the impacts of the Sunbury area becoming a separate municipality. The poll was proposed to be held in conjunction with the March 2000 election.
- 22 The SRA opposed the undertaking of this voluntary poll, on the basis that it only wanted residents and ratepayers of the Sunbury area to be polled. However, where polls are provided for under the Local Government Act, the Panel understands that they are to be conducted across the entire municipality.
- 23 The Council deferred a decision on this issue and the poll was not held. The Panel understands that the Minister has no power under the Local Government Act 1989 to compel the Council to call a poll.
- 24 The Minister subsequently appointed this Panel to examine the proposal.

PROCESS

- 25 Members of the Panel were concerned to establish as open and fair an approach to the review as possible. It was extremely important to the Panel that all interested parties had every opportunity to be heard and that it received maximum input from all sources.
- 26 An email address was established and details of the review process placed on the Department of Infrastructure (“DOI”) website.
- 27 Advertisements were placed in two local papers serving the residents of Hume, seeking submissions from individuals, businesses, community groups and other individuals that had an interest in the proposal for a new municipality. Press releases were also issued, and there has been regular coverage of the Panel’s activities in the local press.
- 28 Letters were also sent to 32 organisations within Hume, and to the Australian Services Union (“ASU”), the Municipal Association of Victoria (“MAV”) and the Victorian Local Governance Association (“VLGA”), inviting their input.

- 29 The Panel made itself available to the public, firstly at informal community meetings held at both Sunbury and Broadmeadows in late July, and later for hearings at both locations at which any submitter who wished to make an oral presentation to the Panel was invited to do so.
- 30 The Panel prepared a Financial Information Package, which was made available to interested members of the public in order to assist them in making their submissions. The Package was sent to all those people who registered at the community meetings, and to those requesting it subsequently. The Panel was particularly interested to get any comments from the public on the assumptions that it proposed to use, as these would form the basis of the financial analysis of the existing Hume City Council budget.
- 31 All these assumptions were materially unchanged when the Panel came to undertake its detailed analysis. Some confirmation of figures was required, eg. population data, which were revised based on information that subsequently became available to the Panel. This did not affect the basis of the assumptions (see Attachment 3).
- 32 Submissions were received in writing and by email, and the content of all submissions was placed in the three offices of the Hume City Council for perusal by interested persons. The names and addresses of all individual submitters were removed from the submissions, in view of the fact that during the process a number of people expressed concerns of possible intimidation and a lack of freedom to openly express their view. In any event, the Panel thought that it was the content of the submission that was important rather than the identity of the submitter. Any written submissions that did not allow for public inspection of the contents were withdrawn by the submitter, at the request of the Panel.
- 33 The Panel reviewed all submissions, and the style, content and identification associated with each gave the Panel every confidence that they were all bona fide.
- 34 Some discussions were also held in confidence at the request of the submitter. The Panel felt this was an important part of the process and that it was in the public interest. It wished to ensure that everyone felt they were able to put their views forward and to maximise the number of people providing input.
- 35 During the process, the Panel also met with:
- a) a number of the Councillors of the Hume City Council;
 - b) the Mayor, Cr Gary Jungwirth;
 - c) Chief Executive Officer and senior staff of Hume City Council;
 - d) President and CEO of the MAV;
 - e) Secretary of the VLGA;
 - f) representatives of the SRA (on 3 separate occasions);
 - g) the Sunbury Chamber of Commerce (on 3 occasions with the SRA);
 - h) the ASU and local union delegates;
 - i) local Member of Parliament, Liz Beattie;
 - j) the Chairperson and Executive Officer to the Victoria Grants Commission;
 - k) a number of people within the State Government with regard to issues such as transport, planning, Melbourne airport, metropolitan strategy and the history of the Local Government Board; and
 - l) a number of individuals who expressed a special interest in the proposal.
- 36 The Panel noted that, during the time it was seeking public submissions, one of the local newspapers ran a telephone poll on the question “Should Sunbury sever its ties with Hume?”. The Panel has always considered the content and argument of

submitters' views as being of more substance than simply the numbers of people indicating they were for or against the proposal. In any case, the Panel had serious doubts about the methodological soundness of the poll and the form of the question, given that no respondents appear to have had the relevant facts before them. The Panel did not take this poll into consideration at all.

- 37 Members of the Panel undertook a daylong inspection of the key features of the Hume municipality to familiarise themselves with the range of issues being raised in submissions.
- 38 The Panel is confident that it gave due consideration to all matters raised with it and has undertaken the process as thoroughly as possible within the time available.

SECTION TWO: THE ISSUES FROM THE SUBMISSIONS

- 39 There is little doubt that many people who live in Sunbury rate their lifestyle and environment highly. Submissions demonstrated the enthusiasm and commitment of the people who choose to move to, and stay in, the area. The Panel was impressed by the strength of feeling and emotion that lay behind many of the submitters' views, and were left in no doubt that people care a great deal for their community.
- 40 That emotion was, however, also evident in the generality of many statements made regarding the proposed new municipality. With few exceptions, submissions contained strongly held views but very little evidence to support the conclusions.
- 41 Thirty-five (35) formal written submissions were received from individuals. Of these 18 generally supported the proposition for separation; 14 generally did not support the proposition; 2 raised issues and a desire for further information ("maybe" support the proposition); and 1 addressed a matter outside the proposal.
- 42 The majority (25) were from the Sunbury area, with a further 3 from the Bulla township; 6 from elsewhere in the municipality; and 1 from outside Hume.
- 43 In addition, 63 people who attended the community meeting at Sunbury took the opportunity to register their name and address and make brief written submissions. The Panel had not planned to take submissions in this way, and had intended that these meetings be for informal discussion only. However, given the number of people attending, this proved logistically impossible and so written comments were invited and the Panel took these into account in the same way as the more formal submissions.
- 44 The large majority of these were generally in favour of the proposition. However, over 15% did indicate that they were waiting for further information or only supported it if it were financially viable.
- 45 Three (3) submissions were received from organisations – the SRA and Sunbury Chamber of Commerce (both proponents of the proposal) and the ASU (who do not support the proposal). The SRA submission (and additional information supplied to the Panel) is shown at Attachment 4; the ASU submission at Attachment 5; and the SCC submission at Attachment 6.
- 46 A range of comments from the other submissions is summarised at Attachment 7. These reflect submissions that both supported and did not support the proposal. While not everyone's submission and comments are included, those that are there cover the range of issues that the Panel considered, especially those that occurred in a significant number of submissions.
- 47 The Panel's approach was to consider any non-financial issue to the extent that it believed the issue would impact on the Panel's overall deliberations in coming to a view about the feasibility and viability of the proposal.

Changes in local government since amalgamation

- 48 A number of the submissions, while critical of the impact the amalgamation process carried out by the previous government had on Sunbury, ignored the wider principles

that lay behind amalgamation.

- 49 People within Victoria are highly conscious of the significant reform in local government that has taken place through restructuring since the Local Government Board Review of 1994. The Board was primarily concerned with the “*efficiency and effectiveness of local government*”⁶, and the government subsequently introduced a number of reforms including amalgamation and restructuring of Councils; compulsory competitive tendering; and the requirement for a 20% reduction in rates and subsequent rate-capping.
- 50 Behind these reforms was the presumption that larger Councils would be more efficient, would improve service delivery, and be able them to broaden their focus and play a key role at regional levels and with other spheres of government.

“ If Councils are to do justice to their future responsibilities, they need to be larger and better resourced than they are at present. Restructuring will not only increase the size of municipal units, it will also enhance local government services in each area, provide a more equitable allocation of resources, improve regional decision-making and give each area a stronger voice in dealing with its neighbours and the State government. Along with compulsory competitive tendering, structural reform will enable councils to:

- overcome existing inefficiencies and inequities
- increase their financial autonomy
- stabilise and even reduce rates
- operate more cost-effectively
- secure savings by flexing their purchasing power
- free up resources for investment in community assets and services
- focus more clearly on customer needs and expectations.”⁷

- 51 The Board’s report also recognised important issues such as:
- a) the challenge for Councils funding growth areas;
 - b) the important role that local government can play in managing urban assets and fostering economic development;
 - c) the need for a reasonable mix between residential, commercial/industrial and rural properties; and
 - d) the important social and economic interdependence between rural residential development and adjacent urban centres.

- 52 These principles were not really considered by submitters. The most usual comments from those supporting the proposed “Shire of Sunbury” were more to do with why the Local Government Board got the amalgamation of the Shire of Bulla and City of Broadmeadows “wrong”, rather than with the principles of restructuring.

- 53 Some submitters clearly had wanted a very different outcome from restructuring:

“...there was enormous expectation within the Sunbury Region that it would be part of a municipality linked with the Macedon Ranges or established as a stand alone municipality. However, without any further public consultation and clearly contrary to its own interim report the Local Government Board in its final report included Sunbury in the new metropolitan City of Hume municipality.”⁸

“We feel it should never have been put with Hume in the first place, but rather with the Macedon Ranges, of which Sunbury is known as ‘The Gateway To...’. However, as this is not an option

now, we feel that Sunbury and its residents, would be far better off being its own identity, preferably the Shire of Sunbury or similar.”⁹

“We would very much like to see Sunbury return to the Shire of Bulla with the previous boundaries returned including the Tullamarine Airport as was the case in the past.

*Please let Sunbury return to City Living COUNTRY STYLE”.*¹⁰

- 54 On the other hand, some submitters now felt that time had passed and that the change should be embraced rather than revisited, eg.:

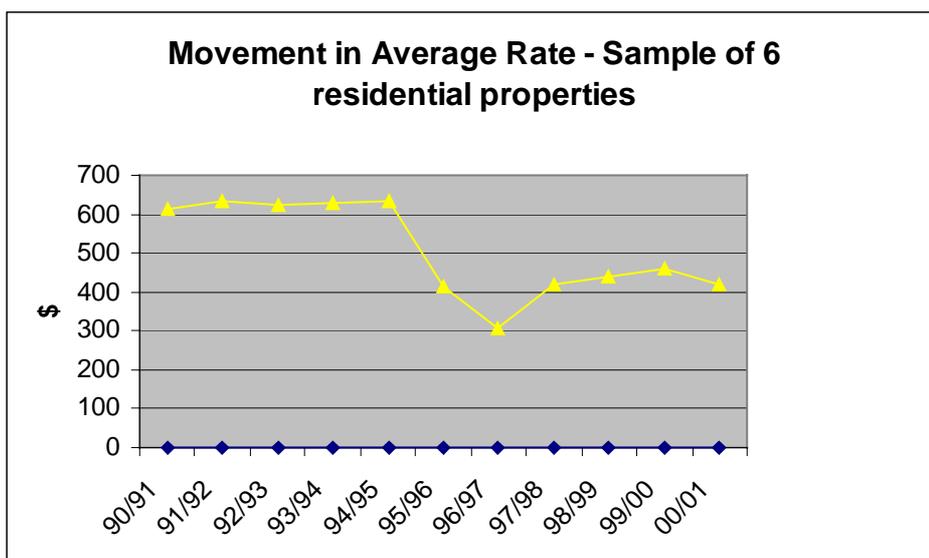
“It is my opinion that we do not need any more restructuring in Hume asthe present Council is currently delivering a service that the Residents have just come to terms with.”¹¹

“Initially, when the Shire of Bulla amalgamated with the City of Broadmeadows, I must admit, we would have preferred to go the other way and amalgamate with Macedon Ranges. However that did not happen and I feel it’s too late now to go any other way.”¹²

- 55 A number of submitters also made reference to the possibility of a rise in rates as a result of the proposed new municipality – some with concern, and others noting that they would be prepared to see some increase in rates in order for the proposal to proceed.

- 56 It is interesting to reflect on the issue of rate levels over the past five or so years. Material was put to the Panel that indicated that rates under the previous Shire of Bulla were considerably higher than they are today. This is, of course, consistent with the fact that the State Government at the time required all Councils to make a 20% reduction in their overall rates, post-amalgamation, and then to cap rates for each of the next three years, or seek Ministerial approval for an increase beyond the cap. Many ratepayers would have benefited from these conditions.

- 57 Attachment 8 shows the rate history of a random selection of 6 Sunbury residential properties. This is represented by the following graph, and shows clearly the significant reduction in rates that occurred post-amalgamation. Although the effect on individual properties varies according to their value, the trend is clear.



GRAPH 1

Note:

- a. 1995/96 represents the first year of Hume City Council;
- b. 1996/97 represents a three-quarter rate year, as councils moved to a financial year rating structure;
- c. Revaluations occurred in 1992/93, 1996/97 and 2000/01.

- 58 If a significant rate increase is now required to support the establishment of a separate “Shire of Sunbury”, one of the key benefits of restructuring reforms of the 1990s would effectively have been wiped out.
- 59 The MAV indicated to the Panel that *“All the evidence shows that the economies of scale are going towards larger Councils, not the reverse”*.¹³
- 60 This is backed up by the following data (1998/99 financial year), provided by the MAV from its database of Councils:

1998/99		
Population	No. Councils	Average Expenditure Per Head \$
>140,000	5	398
120,001-140,000	6	427
100,001-120,000	9	406
75,001-100,000	8	548
50,001 to 75,000	5	592
35,001 to 50,000	7	544
25,001 to 35,000	7	618
25,000 or less	30	776

TABLE 1 Average expenditure per head for councils of differing size (population)

Note:

- a. Expenditure excludes debt servicing and depreciation¹⁴
- b. Hume City Council is a municipality of 120,001-140,000 population
- c. the new “Shire of Sunbury” would be a municipality of 25,001-35,000 population

- 61 This clearly indicates the economies of scale that accrue to larger municipalities over smaller ones. The average cost per head of running a council of 30,000 people is significantly more than those with greater population.
- 62 The SRA submission argues that the reverse is in fact the case– ie. that a much smaller “Shire of Sunbury” could be more efficient than the current Hume City Council. The Panel found this a difficult argument to accept, and common experience would suggest that it would be more expensive to run two smaller organisations than to run one (and a larger one at that). The additional cost incurred by separate organisations is one issue that the Panel considered in great detail in its financial analysis, which is discussed in Section 3.
- 63 It is also of interest to note that in the current rating year, 2000/01, properties have been revalued (as they are periodically), and the effect of that revaluation is to redistribute the rate burden according to the movement in property values. Overall, the capital improved value of residential properties in Hume City Council increased by 27%, yet those in Sunbury township increased by only 13%.¹⁵ This means that many

Sunbury properties may receive a lower rate bill this year as a result.

- 64 While this might be good news for current Sunbury ratepayers in this rating year, the Panel notes that this will further reduce the rate revenue available to a “Shire of Sunbury” as compared to the data used by the Panel in its financial analysis (based on pre-revaluation figures). This reduction would also need to be made up in order to put “Sunbury” on a sustainable footing.

Community Identity and Attraction to the Area

- 65 Many submissions spoke of the lifestyle aspects of living in Sunbury, its semi-rural nature and its identity and community feel. A number of references were made to the previous Shire of Bulla’s slogan “City Living, Country Style” which clearly had resonance for many people, who saw the answer to perceived problems in the separation of Sunbury from the Hume City Council.

- 66 This point was made very strongly. However, there are differing views as to whether community identity and municipal boundaries are, or must be, the same thing. One submission made the point that:

*“ the best way to maintain the unique nature of Sunbury and the lifestyle of its residents into the future is for its retention within Hume City. Sunbury is recognised as a special place in its own right as well as within the rich tapestry that constitutes the City of Hume”.*¹⁶

- 67 Other submissions likewise welcomed the diversity of the municipality and expressed some disappointment that Sunbury residents felt that the only way to retain their identity was to become a separate municipal body.

- 68 “Community of interest” is a term which has been widely used in local government, but which is seldom defined. One of the few attempts to consider this issue is the work of the Local Government Commission in Victoria in 1986.¹⁷ The Commission established a number of principles for local government restructuring, which are worthy of consideration in this exercise. These principles are shown in Attachment 9.

- 69 The Commission’s discussion of the concept of “community of interest” indicates that a community should contain balance (socially and economically) and that town and country are rarely independent of each other. Also, attempts must be made to support social cohesion and community spirit, and to reflect the varied activities of people (where they live, work and play). Increasingly, these activities may not occur “within” local government boundaries.

- 70 In response to this issue, raised by one Council’s submission to the Local Government Board Review in 1994, the Board concluded:

*“Some of the views expressed by these groups arise from a genuine fear that a change of municipal boundaries will in some sense physically split families and communities and prevent what are now everyday interactions. The Board does not accept that municipal boundaries play such an interventionist role in the normal ebb and flow of families ties, journeys to work and recreational activities.”*¹⁸

- 71 This Panel is inclined to agree and, conversely, to suggest that these activities may occur within and across a range of boundaries, and a sense of ‘community feeling’ in a township, area or even neighbourhood can exist well within a wider municipal boundary.

72 It was made clear to the Panel by submitters that many people believe Sunbury to be a unique community. However the Panel concluded that this was not, by itself, a reason for a separate “Shire of Sunbury”.

73 There may be solutions to some of the issues raised by submitters regarding local identity and loyalty, other than by simply forming a separate municipality. The Local Government Advisory Board in Tasmania, charged with investigating the modernisation of local government during 1990-1992, stated that:

*“...appropriate policy and management arrangements can accommodate community of interest, and that it may be better recognised by the maintenance of some ‘core, local characteristics for which the relevant municipal authorities adopt special policies.”*¹⁹

Moreover, it stated:

*“municipalities should be able to accommodate a collection of different communities of interest within its jurisdiction, and that there are a number of different communities of interest, rather than a single one, within a district or region.”*²⁰

74 In the event that Sunbury remains with Hume, the Panel does believe that the sense of identity that people have with their township is a real issue and challenge for Hume City Council. Further efforts will be required to develop strategies to override perceptions that the Council is not listening to that community and responding to its sense of identity within the larger municipality.

Sunbury is “just a country town”

75 As previously stated, a number of submissions, including that of the SRA, make much of the fact that the Sunbury township promotes an image of “city living, country style” (the previous Shire of Bulla theme). Many people choose to live there and travel to work because they highly value the town’s semi-rural nature.

76 There are a number of Melbourne municipalities which fringe the Melbourne metropolitan area, and which share the mix of denser urban populations with rural and semi-rural areas, that is reflective of the Hume municipality. These other municipalities include Wyndham, Whittlesea, Melton, Nillumbik and Yarra Ranges.

77 The residents of Sunbury appreciate the town’s semi-rural setting. This setting results from much of the intervening area between Sunbury and urban Melbourne being precluded from development by Noise Overlays associated with Melbourne Airport. However, Sunbury also has a fairly close relationship with metropolitan Melbourne and cannot entirely be considered simply a “rural shire”. Melton and Sunbury were designated as “satellite towns” over 25 years ago, in previous Melbourne metropolitan strategies, and have always been considered a part of Melbourne’s growth strategy (Melton already has a population of over 45,000 and is growing). Whatever the status of Sunbury today, it is its role in metropolitan Melbourne in the future that will be more significant. The Land Forecasting Unit (DOI) considers Sunbury to be part of the metropolitan area for the purposes of reporting on land releases for future residential growth.

78 Moreover, Sunbury has been recognised for some time by the Australian Bureau of Statistics (“ABS”) as falling within the Melbourne Statistical Division.

- 79 The Panel does not consider that it is incompatible for an area to be part of the broader metropolitan focus of Melbourne, in terms of future growth, and yet strive to maintain semi-rural and environmental values where possible.

Greenbelt

- 80 There is clear concern from submitters, both for and against the proposed separation, that the so-named 'greenbelt' around the township of Sunbury will be eroded. This aspect is an important feature of people's attachment to the atmosphere of Sunbury.

"The lovely drive into town from the Tullamarine Freeway/Sunbury road through two wineries on either side of the road is a great welcome to the town and this open area needs to be kept on all sides of Sunbury." ²¹

"I don't want to be part of a Council that has plans to change the character of the Sunbury region or develop the precious green belt area." ²²

- 81 There appears to be significant concern that the Hume City Council "does not understand" the importance of the 'greenbelt' and that it is in more danger of erosion than it would be with a new Sunbury-based council. This fear has clearly been exacerbated by three specific planning decisions made by the previous Hume City Council, which met with considerable community opposition. These decisions were mentioned in a number of submissions as evidence that the Council did not have the interests of Sunbury at heart and did not understand the importance of retaining its semi-rural aspect.
- 82 In fact, on at least one occasion one Sunbury-based councillor supported such development proposal. There might be a range of both practical and political reasons as to why a given councillor might support, or not, a particular resolution of the Council. However, the Panel noted that such differences of view might continue to occur even in an independent "Shire of Sunbury".
- 83 Many people expressed anger that the community had to object and take the cases to VCAT (the Victorian Civil and Administrative Tribunal). However, it should not be overlooked that those decisions were made against Council officer advice, and were overturned by VCAT on the basis that they did not conform with the Council's own Planning Scheme.
- 84 It is also important to note that there are different land use pressures and interests being represented in the area. These include:
- a) people living in residential subdivisions within the Sunbury township;
 - b) smallholdings in semi-rural residential areas; and
 - c) landowners complaining that their agricultural holdings are no longer viable and that subdivision and development can offer alternative economic uses for that land.
- These pressures are likely to continue, as is growth of the Melbourne metropolitan area.
- 85 One interested party put to the Panel the proposition that in fact Hume could be more 'arms length' than a smaller, more local Council, and able to better withstand localised

political pressure from those who may be in potential positions of conflict of interest.

86 What is important in the context of the Review is whether or not there is evidence that the Hume City Council has in place strategies to manage the appropriate planning and development of Sunbury's projected growth, and whether those strategies recognise the 'greenbelt' issues being raised.

87 One of the submitters provided excerpts from the Hume Planning Scheme to support the view that Hume City Council does recognise the particular attributes of Sunbury and the need to manage growth carefully:

"Pages 3-7 provide the Hume Strategic Framework Plan, within which Sunbury is identified as a place having specific character and identity that needs to be carefully managed and preserved.

Pages 37-43 provide a detailed analysis of Sunbury as a distinct area within the City. Page 37 contains the following objective. "To ensure that the future urban growth of Sunbury retains the strong rural image and 'country style' identity of the town, and is balanced as far as possible by the provision of commercial, retail and community facilities and employment opportunities appropriate to the needs of the local community." ²³

88 The Panel's reading of the Council's Municipal Strategic Statement ("MSS"), which forms the basis of its Planning Scheme, identified significant reliance on the previous Shire of Bulla strategic document (the Bulla General Plan: Towards 2011) in its preparation:

"The Bulla General Plan: Towards 2011, and the draft Broadmeadows and District Comprehensive Plan once it is completed, will be key strategic documents underpinning the future planning and development of the city; they will be instrumental in achieving the vision of the MSS." ²⁴

89 Many other references are made to the Bulla Plan. A comparison of the two documents shows a remarkable congruence in strategies to contain residential development to certain areas around the township of Sunbury, with protection of views, hilltops and environmental/heritage features supported.

90 Discussions with Hume City Council officers confirm that the strategic directions for planning have not changed in terms of the relevant documentation, and that the current Council, elected in March 2000, has moved to strengthen its position in relation to planning issues. Some tangible responses have been:

a) one additional monthly Council meeting, to deal solely with town planning matters;

b) a new set of Local Laws to enable members of the public to address Council on such matters; and

c) an increased emphasis in the Corporate Plan on planning and environment, including a reporting mechanism *"to the community on decision-making concerning the level of compliance with the New Format Planning Scheme."* ²⁵

91 The Panel concluded that the issue of appropriate and planned development of the areas around the township of Sunbury is reflected in the Hume City Council's current Planning Scheme. Due attention should continue to be paid by the Hume City Council to strategies to enforce these development principles. It must also be recognised, however, that those pressures would be most likely to fall on a "Sunbury"-based council over the next ten to twenty years just as heavily as on the current Council.

Decline in Services

- 92 There is a strong perception among many submitters that services have declined since joining with Hume:

*“As part of Hume Sunbury is at the end of the municipality and seems to receive the least services.”*²⁶

*“We can not help but notice the decline in services in the area since Hume took over with gardens not attended to and parks left unmown I have driven through Goonawarra Estate a number of times and the area is in a very poor condition with mowing urgently required and trees needing attention with broken limbs left and papers on nature strips. Parking is becoming a problem in the township and continued increase of subdivisions will see this get worse.”*²⁷

*“As far as I can ascertain I have not benefited from being a part of the City of Hume. I have seen nothing to indicate to me that the ratepayers are being provided with satisfactory facilities to cater for their needs or those of their children. Money may be spent but I can’t see much being done in Sunbury.”*²⁸

- 93 Not all submitters share this perception:

*“I have not seen a reduction in services since being in the City of Hume.”*²⁹

*“I am satisfied with the current level of service provided.... And believe funding is spread fairly and equitably across the municipality.”*³⁰

*“If Sunbury went out on a limb so to speak, our rates would increase whilst services we currently enjoywould deteriorate.....Since amalgamation, I have seen a better value for money existence within Council.....”*³¹

- 94 It was suggested to the Panel that a decline in services has been a common complaint since amalgamations, and the experience of many councils is that residents appear to believe services have suffered despite meeting tendered service standards. One submission comments that *“it would be interesting to see if servicing rates have declined across all Victorian Councils”*.³²

- 95 If one looks at the Hume City Council's community satisfaction rating, it shows that it sits midway within performance ratings for all Councils across the state (indexed mean of 60, in a range from 50 to 70).³³ It is not the best performing Council, nor the worst.

- 96 If one compares staffing levels (as only one indicator of service levels) within the Councils:

a) the Shire of Bulla pre-amalgamation had 364 staff for a population of 45,000 (a ratio of 1:124);

b) that part of the previous City of Broadmeadows which became part of Hume had 322 for 65,000 (1:202); and

c) current staffing across Hume City Council is 615 for 133,000 (1:216).³⁴

- 97 Whether this was over-servicing or appropriate levels of servicing, the reality is that if a new “Shire of Sunbury” were to reinstate an equivalent staffing to population level as the old Shire of Bulla, there would need to be a significant increase in staffing numbers and cost. Based on current staffing levels, it is not surprising that some people may

have a perception of reduced servicing.

- 98 The SRA has proposed a staffing level of 110 for a population which it estimates at about 30,000 (a ratio of 1:273).³⁵ This suggests that there would need to be a remarkable (26%) improvement in efficiency if the current level of servicing is to be maintained.
- 99 Services to the community, and the appropriate levels of those services balanced with the resources available to provide them, must of course remain a high priority for local government. Any Council has to listen to community feedback and respond by setting its budget priorities to account for identified community concerns. Some submitters did comment that they were satisfied with the current level of service provided, and that they perceived good value for money being achieved.
- 100 Some comments were made that services were non-existent or inadequate, such as services for young people in Sunbury and monitoring of local laws, and that Council officers are stretched for resources to provide services.
- 101 The Panel has assumed, throughout this report, that the existing services and level of servicing will continue as is currently provided. It does note, therefore, that if community expectations continue to demand improvements in the level of services, then there will be cost impacts associated with those improvements.

Township of Bulla

- 102 The Panel's Terms of Reference define the proposed new municipality as being based west of Deep Creek, this being seen as a natural boundary and being the proposal put forward initially by the SRA. It was later acknowledged by the SRA and others that this created a difficulty for the small village of Bulla, which lies primarily east of Deep Creek, but seems to identify itself with Sunbury.
- 103 A small number of submissions from the Bulla area emphasised the desire to be part of the proposed "Shire of Sunbury" (as did one from the Diggers Rest area, west of the Calder Highway and currently part of the Shire of Melton).
- 104 The Panel did not consider at any length a subsequent suggestion from the SRA that Bulla could be incorporated into the proposed new municipality by extending the boundary to the east, to Oaklands Road. The Panel did not consider that this was consistent with its Terms of Reference and, indeed, seemed to run counter to the argument that Deep Creek provided "*a natural and ideal boundary*"³⁶.
- 105 The Panel notes that the majority of Bulla village (with the exception of a handful of houses) currently lies east of Deep Creek. It has assumed that Bulla is not included in the proposed new municipality for the purposes of its financial analysis, as this is consistent with the Terms of Reference.
- 106 However, the Panel acknowledges that:
- a) there appears to be a high level of association between Bulla and Sunbury by Bulla residents; and
 - b) the Local Government Commission principles for restructuring indicate that:
"*A municipal boundary should not divide a local neighbourhood or country town*".³⁷

- 107 The Panel did not identify any other obvious features that provide an appropriate boundary to incorporate the current Bulla on both sides of Deep Creek. It also noted that, even if a different boundary were to be chosen, the issue would continue to arise as subdivision and further growth occurs within and around the Bulla village.
- 108 Throughout this report the Panel has assumed that the boundaries for the proposed new municipalities would be those defined in its Terms of Reference. In the event that the proposed new municipality is to be established, some further thought needs to be given to the implications for Bulla.

Transport

- 109 The SRA submission states that there are

*“no direct transport links between Sunbury and the eastern part of the City of Hume which further demonstrates the lack of interaction between the Sunbury area and the eastern part of the municipality.”*³⁸

- 110 This statement was reiterated in a number of other submissions.

- 111 The Panel accepts that this is so, but questions whether it is a significant factor to be taken into account. The nature of Sunbury as a commuter residential township with a high level of car ownership (it is anecdotally reported that many people work either in the City or at the airport), means that people have chosen the location taking into account the required means of transport for work, school and shopping. A travel time of about 20 to 30 minutes from the Hume City Council Broadmeadows office to the township of Sunbury means that it still meets the Local Government Commission principle that:

*“At least 80% of the inhabitants of a municipality should be able to travel to the municipal centre in less than 30 minutes.”*³⁹

- 112 The issue really is more one of providing adequate access to services for its residents by the Hume City Council, an issue that faces all Councils. At present, the Council states that it provides a Customer Service centre at Broadmeadows, Sunbury and Craigieburn, and aims to be able to answer most enquiries, take payments, provide application forms and receive various applications (eg. for town planning, permits) through its Customer Service staff. Where technical advice is required, arrangements can be made for meetings to be held on site or for an appointment to be made, though that may not be possible instantly simply by ‘walking in off the street’ in Sunbury.
- 113 This is currently an issue equally for Sunbury and other Broadmeadows residents residing in, say, Craigieburn, Roxburgh Park and more outlying parts of the municipality. It is clearly an issue that the Council will need to continue to address, particularly if the Hume City Council were to proceed to consolidate its main administrative functions at one site sometime in the future.
- 114 The Panel stresses that the Council has informed it that it has not at this time made a formal decision about the question of location of its offices (and staff) and makes no comment on this issue. This is an issue for the Council to address, taking into account the needs of the organisation and the needs of its community for access to services.
- 115 Accordingly, the Panel does have some doubts about the SRA’s claim that:

*“There is also the real potential for the withdrawal of Sunbury from the City of Hume to delay the need for new administrative officers (sic) for the City of Hume. These offices could cost well in excess of \$10m.”*⁴⁰

- 116 At present the Hume City Council has around 615 full time equivalent staff, of which approximately 124 are housed at the Sunbury office and 190 at the Broadmeadows office (the balance being in specific service locations).
- 117 The SRA’s proposal is that the new municipality will only require 110 staff, and approximately 50 of these are ‘outdoor staff’ or located at specific service locations in Sunbury. This means that there will be a quite large number of staff displaced from the Sunbury municipal office and needing to be accommodated by the “Balance of Hume”, at Broadmeadows or elsewhere. Whether this is ultimately in a newly constructed municipal office or not, it is acknowledged by the Panel that this will:
- a) incur additional cost for the “Balance of Hume” (of either a recurrent or capital nature); and
 - b) leave it with a number of office locations, as is currently the case with the Hume City Council.

Governance

- 118 There were differing views expressed regarding the good governance of the Hume City Council during the Panel process. Some existing and ex- Councillors referred to significant difficulties between personalities serving on the 1997-2000 Council, the first Hume City Council to be elected post-amalgamation. It did not, however, appear to the Panel, based on its discussions and examination of media reports over the time, that these disagreements were generally based on attitudes of “Sunbury versus Broadmeadows”.

- 119 Some submissions made reference to these issues, one stating that:

*“The City of Hume is spread across very different regions and the interests of the Councillors vary. They are pulling in different directions and are not as united as council members should be. I believe the council members for Sunbury are more in tune with the needs of Sunbury.”*⁴¹

- 120 Another put a slightly different slant on the issue:

*“The ongoing allegations by the Sunbury Residents Association that the Broadmeadows based Council is unsympathetic to the needs of Sunbury are no different to the constant bickering that occurred in the former Shire of Bulla between Sunbury, Craigieburn and Greenvale ward councillors.”*⁴²

- 121 There is no doubt that the essence of local government is good representation. Sunbury has a slightly positive bias in Councillor representation, on a population basis, but some residents and ratepayers appear to feel that their representatives’ views are not adequately heard on the Council. This appeared to the Panel to be less of an issue for the new Hume City Council than perhaps was the case previously, with individual councillors now expressing to the Panel attitudes of wishing to govern “for the city as a whole” and exhibiting community leadership from the Council.
- 122 Both the peak bodies for Victorian local governments, the MAV and the VLGA, expressed similar views in meetings with the Panel. Both felt that the key for any local government is in adequately addressing representation and communication issues. It

was said that councillors need to learn to work as a team, for the overall good of their community, as well as representing their ward issues and solutions. Local “ownership” of issues must be recognised, and the level of communication must be strong. Larger councils need to recognise diversity, and develop better strategies to engage all sectors of their community. They expressed a view that Councils still have a lot to learn in the new system of local government in Victoria, but overall the level of governance has improved and the sector has strengthened and matured.

123 Both bodies expressed concerns with the SRA proposal for a Council structure involving only 5 councillors with no wards.

124 The SRA proposal also entails transitional arrangements minimising the need for new elections for the two “new” municipalities.

“The model proposed for the new Shire of Sunbury council structure involves 5 councillors with no wards. The two existing councillors would see out their current term to 2003.

Three new councillors would be elected for a term running to the next scheduled council elections in 2003.”

“It is proposed that arrangements be put in place whereby the orderly withdrawal of Sunbury district from the City of Hume does not necessitate council elections within the City of Hume until the election due date in 2003. These arrangements would enable all the existing City of Hume Councillors to complete their term.

The withdrawal of Sunbury also provides the City of Hume the opportunity to review its ward structure and to determine whether there is a need for any changes in ward structure or councillor numbers. Adopted changes to the City of Hume council arrangements can then be put in place for the City of Hume for the next Council elections.” ⁴³

125 These issues do have some far-reaching significance, and the final constitution of both proposed “Shire of Sunbury” and the “Balance of Hume” is properly a matter for the respective administrations and the Minister for Local Government. However there are a number of comments that the Panel feels should be made:

- a) both the MAV and the VLGA indicated that a system of district only councillors (ie. no wards) was a significant problem with the current voting system of exhaustive preferential voting, as it would often result in organised ‘tickets’ being successful, and would therefore reduce Council diversity and representation;
- b) the number of 5 councillors was regarded as too few, with the potential for less flexibility in decision-making within the Council. Benchmarking of a range of other similar sized Councils, even in rural areas, showed that there are few with only 5 councillors;
- c) for similar reasons it may not be acceptable to Hume City Council to continue with a number as small as 6 for the balance of the City, and there may therefore be a requirement for an election of additional councillors;
- d) it is not clear to the Panel that the Local Government Act 1989 would currently allow for the continuation of the 2 existing Sunbury based councillors and the election of 3 more, and legislative change may be required; and
- e) the Panel is concerned that a number of people raised issues of intimidatory tactics and pressure being employed during previous election campaigns, and considers

that future good governance in a new “Shire of Sunbury” would need to be carefully monitored.

Infrastructure and Community Assets

- 126 The SRA submission, supported by some others, claims that Sunbury assets have been disposed of with no return by way of improved infrastructure in the Sunbury area. The Panel considered two aspects to this issue.
- 127 Firstly, a Council must plan for its infrastructure needs – both repair and replacement of existing infrastructure, and new infrastructure where required. The Hume City Council has a Five-Year indicative capital works program, demonstrating that it is attempting to balance the needs of existing infrastructure and new community needs. Much of the spending on existing infrastructure tends to remain somewhat ‘unseen’ in that it relates to roads, drains and buildings within which services are provided, not always to high profile community facilities.
- 128 The Panel did not attempt to analyse what spending had specifically occurred in Sunbury as compared with the balance of Hume over the past five years. However, it has considered the approved Five-Year Capital Works Program (which is published with the Hume City Council annual budget), and notes that there are projects specifically identified in that program located in Sunbury. In addition, priorities are identified in the detailed asset maintenance programs prepared by the relevant Council departments (eg. for roads, parks), a component of which would be in the Sunbury area.
- 129 Secondly, on the other hand, a Council must consider the maximum benefit to be derived from any assets it has. Particular assets may no longer perform the function for which they were acquired, or they may prove surplus to requirements in terms of meeting community needs. Judicious management and disposal of surplus assets for the common good is an entirely appropriate tool in responsible asset management, and can also contribute to the operating result of an organisation.
- 130 The Panel noted that assets that were referred to as “Sunbury” assets by submitters had been owned by the previous Shire of Bulla. These were purchased using revenue derived from, and used on behalf of, all the residents of Bulla, of whom only approximately half fall within the new “Shire of Sunbury”. It could therefore be argued that they belong to a wider community than just the residents of a new Sunbury, viz. to include those former residents of the Shire of Bulla who would remain with “Balance of Hume”.
- 131 The SRA proposes that the costs of establishing the “Shire of Sunbury” be met using revenue from the sale in January 2000 of the Evans St timber yard site in Sunbury. The Panel is of the view that the proceeds of asset sales under the current status of Hume City Council “belong” to all residents and ratepayers of Hume, and not just persons located west of Deep Creek. If this were not so, an argument might also be made that proceeds of sales of assets in the remainder of the municipality should be segregated for the benefit only of persons living east of Deep Creek.
- 132 Consistent with its approach to the overall treatment of assets and liabilities (discussed further in paragraph 240), the Panel has allocated most future assets to “where they fall” rather than according to their history. Up until the point that an actual separation was to occur, the assets and liabilities are those of the Hume City Council. After a separation, the assets would be generally taken up by the municipality in which they

were located.

Industrial and Staffing Issues

- 133 The ASU states that its submission to the Panel was made following consultation with the Hume Shop Committee and Hume City Council union members, and it covers a range of issues that would affect staff. Some of these issues, such as career opportunities and the potential for redundancies, were raised in some other submissions from residents. The SRA also made comments on the ASU submission, providing additional information to the Panel.
- 134 The ASU raised similar concerns to some other submitters in relation to financial and social impacts, governance costs and business issues. More particularly it provided comments to the Panel regarding the impacts for workers and services in the event of a separation of the municipality.
- 135 Key concerns centred around:
- a) potential for further redundancies;
 - b) impact on existing contractual arrangements and agreements with in-house service teams;
 - c) a smaller Council might lead to the need for greater outsourcing of services;
 - d) plant and equipment requirements, and set up costs for a new Council;
 - e) impact on community services such as aged care, children's' services and maternal and child health;
 - f) career opportunities are maintained by staying within a larger Council;
 - g) industrial issues, and transfer of employees; and
 - h) morale of staff, and the potential for further disruption of the organisation.
- 136 The ASU submission states, among other things, that:
- "...the greater majority of our Hume City Council members do not support splitting the council by establishing a Sunbury Council."* ⁴⁴
- 137 The submission does raise a proposition put to the Panel by the SRA, that existing service arrangements could continue, with Hume City Council providing services under a contractual arrangement.
- 138 The Panel notes that there are some difficulties with assuming this last proposal is viable, in that:
- a) it cannot be presumed what a future elected "Sunbury" Council might decide;
 - b) it cannot be presumed that the "Balance of Hume" would be agreeable or able to provide that service (Hume councillors and officers state that the matter has not been considered);

- c) this would require renegotiation of current agreements, and would certainly require new contracts to be established between “Balance of Hume” and “Sunbury”; ie. the existing arrangements could not “just continue”; and
- d) it would have to be assumed that the “Balance of Hume” council would require some premium to provide the service outside its own boundaries, and would seek to recover its administrative and contract costs, and would include a ‘profit’ element.
- 139 The ASU submission also states that the proposition appears contradictory in that it would retain the service provider that the SRA is currently very critical of in terms of service levels. The SRA responds that this would be an interim arrangement only and would avoid *“the disruption and costs that occur when inappropriate restructuring processes are applied.”*⁴⁵ Its response does not address the legal or contractual implications of this proposal. There would also be organisational and financial costs to the “Balance of Hume” in establishing contracts with a “Shire of Sunbury”, only to have them perhaps relinquished once the current term has expired (in some cases this would be a relatively short period).
- 140 The SRA response claims that some of the issues raised, such as redundancies, will not occur *“...if the separation is undertaken in a planned and orderly manner...”*⁴⁶
- 141 Its submission further states:
- “We have proposed that the Shire of Sunbury be established in a planned and orderly manner with arrangements put in place for the continuation of all existing contracts until they expire.*
- On the expiry of the contracts the two municipalities would then have the opportunity to determine what joint arrangements if any would then be put in place.*
- We are aware that to achieve this interim outcome the two municipalities will need to work in a cooperative manner. Also the Shire of Sunbury would contribute to the cost of administering the contracts.”*⁴⁷
- 142 On the issue of transfer of staff and existing contracts, the SRA response indicates that it believes: *“...based on our discussions with existing and previous staff that sufficient staff will seek to transfer to the new municipality...”*
- and that:
- “It would be likely that the new Shire of Sunbury would directly employ its staff (including its outdoor works team) on a continuing basis which will provide more certainty that the current employment arrangements.”*⁴⁸
- 143 The Panel believes that all of these issues are significant and have the potential to impact on the costs and complexity of the proposal. In the event of the creation of a new “Shire of Sunbury”, considerable work would be required to address all of the staffing and industrial issues. The Panel notes that staff of the previous Shire of Bulla and now Hume City Council have already been through considerable change and disruption over the past six or so years, and that such a course should not be embarked upon lightly.

Cross-subsidisation Issues

- 144 Many submissions received by the Panel made assertions regarding the current financial situation of the Hume City Council, and that of the previous Shire of Bulla, and

who is subsidising who.

- 145 It is interesting to note that the Local Government Commission Principles for Restructuring identify Tax Equity as an important principle to apply:

“The pattern of municipal boundaries should aim to achieve a cross-section of property values within each municipality.” ⁴⁹

- 146 In other words, cross-subsidisation of one ratepayer by another, or one part of a municipality by another, can be considered a positive rather than a negative in terms of equity in taxation (including rates).

- 147 One submission states that:

“ A significant proportion of the rate income needed to satisfy the expected services, social needs and identified capital works requirements of Sunbury is provided by virtue of the large industrial rating base located in the Broadmeadows/Campbellfield area (not one of the top 20 ratepayers in Hume is located in Sunbury). In the absence of the rate subsidisation that occurs, the unique life style of Sunbury would cease to exist”. ⁵⁰

- 148 Attachment 10 shows the Capital Improved Value and number of rateable properties in the two parts of the municipality. The industrial/commercial rate base (excluding ‘rates in lieu’) in the area of Hume east of Deep Creek comprises \$6,626,690 or 25.4% of the total rates, compared to only \$548,944 or 9.2% of the total rates in the new “Sunbury”. Indeed more revenue is raised from industrial/commercial rates alone in the southern and eastern portion of the municipality than the total rate revenue in the new “Sunbury”.

- 149 It was clear to the Panel that the concentration of the major industrial and commercial sectors in the southern part of the municipality provides a level of rate revenue which contributes a subsidy to other more residential areas, and that includes Sunbury. If the “rates in lieu” which are received by the Hume City Council from the Melbourne Airport and Commonwealth Note Printing Works are also taken into account, the revenue from non-residential sources is even more significant (a further \$3.38 million per annum).

- 150 A second ‘subsidy’ issue that was raised in submissions related to the level of debt of the Shire of Bulla and the City of Broadmeadows at the time of amalgamation.

- 151 There appears to be a significant misunderstanding among the public of the actual situation. A number of submissions made assertions that the previous Shire of Bulla had little or no debt and that Sunbury has been ‘subsidising’ Hume’s debt since. However, the Due Diligence Audit undertaken in 1994, on the creation of the Hume City Council, shows that the previous Shire of Bulla contributed \$12.83m to the new City’s total debt levels, and the previous City of Broadmeadows \$9.67m .

- 152 It has also been argued that, although Bulla had debt at the time, it also had cash reserves. In fact, both municipalities had significant cash reserves, and the audit noted that *“...the liquidity positions of the former municipalities are considered to be sound”.* ⁵¹

- 153 The submitters’ assertions regarding old debt levels are therefore incorrect, and in any case were not considered relevant to the Panel’s task.

Affordability

- 154 A number of submissions highlight concerns that the proposal to separate will increase costs and therefore require an increase in rates.

“Many who live here are on low or fixed incomes – the financial ramifications....could well lead to an increase in rates and a reduction in services for these people.” ⁵²

“If the decision was to split based on an increase in rates what safety measures would be instigated to protect lower income families.” ⁵³

- 155 Naturally, some people would be affected more than others. The demographic picture of Hume City Council shows that “Sunbury” residents earn higher incomes than “Balance of Hume” residents. “Sunbury” also has a more diverse workforce, with a higher proportion of Managers, Professionals and Associate Professionals than the rest of the city. “Sunbury” has a lower proportion of people earning less than \$299 per week than the “Balance of Hume”, and a higher proportion of people earning \$1000 or more.
- 156 Having said that, 70% of the population of “Sunbury” are on incomes of less than \$600 per week (or \$31,150 per annum), which cannot be considered ‘high’. With 64% of households containing children, and a high proportion of households with mortgages (46.6% of “Sunbury” residents still purchasing their home as opposed to 27.9% in the Melbourne Statistical Division), the question of affordability is likely to be a real consideration for a sizeable component of “Sunbury” ratepayers. ⁵⁴
- 157 The SRA has proposed a “municipal charge” or per property tax. A flat tax such as this affects those on lower incomes disproportionately. While it is proposed as \$20, and one might argue that this amount would not pose a significant financial detriment to any one household, if that figure were required to be somewhat higher, it could have a real negative effect on affordability.
- 158 While the Panel received a number of submissions from people who also indicated that they would be prepared to pay more in rates in order to achieve a separate municipality, that proposition has not been tested.
- 159 The Panel believes that the financial impact on the general population of ratepayers is the most important issue to be considered when assessing the viability and feasibility of the proposal.

Representation of Local Views

- 160 The Panel noted that not a very large number of submissions were received (101), as compared to the number of residents of Sunbury.
- 161 One submission in particular, from the SRA, claimed that it had widespread community support among local people in Sunbury for its proposition that the area should separate from the Hume City Council and form its own municipality, and a number of other submissions were received to this effect.
- 162 The SRA indicated that it had previously collected over 2500 signatures on a petition, as evidence of its support for its position. ⁵⁵ The Panel viewed this with some caution, in that petitions can often be signed with little knowledge or a well-considered position.

- 163 The SRA did not appear to recognise that there were numbers of people who did not agree with its proposition. However, the submissions belie this as there were people who went to the trouble to write to the Panel expressing their concerns with the proposal.
- 164 Of more issue to the Panel was that some of those submitters also expressed concern at the manner in which the SRA forcefully projected its position without considering that there might be alternative views.

“ It would be interesting to determine the views of the wider community on the issue of severance, as from the local media articles, the push for separation is largely coming from one, small element of the area.” ⁵⁶

“I would like to make a couple of points about the Sunbury Residents Association. I do not believe they are representative of ordinary ratepayers in Sunbury....They are, in my opinion, a vocal minority, made up largely of people who have been in Sunbury for many years and look back with rose coloured glasses to the days when they had influence with council.” ⁵⁷

“I refute the statement made by members of the Sunbury Residents Association that the majority of Sunbury residents would support the proposal on the basis that I have never, nor know of any of my friends or neighbours who live in Sunbury to be ever surveyed or asked for their opinions. I believe that the push for on independence is from a minority group.....” ⁵⁸

- 165 The Panel took the stance that all views, both of organisations and individuals, should be listened to and taken into account in formulating its conclusions. Community debate is important in an issue such as this, and the Panel was concerned that people felt constrained from putting their point of view.
- 166 The Panel was ultimately more concerned about looking at the facts before it. However, it notes that this issue of undue influence may arise again if any further process of community consultation is to occur in the future, or when the Panel report is released.

SECTION THREE: FINANCIAL IMPACT ON SUNBURY AND HUME

- 167 This section examines the financial and economic impact of the proposal on the residents and ratepayers of the “Shire of Sunbury” and the “Balance of Hume”. The analysis examines:
- a) the estimated recurrent operating surplus or deficit of the proposed two new municipalities;
 - b) the capacity of the two municipalities to fund a realistic capital works program;
 - c) the likely assets and liabilities of the two municipalities in the event that the proposal is adopted; and
 - d) the estimated cost of establishing the municipalities.
- 168 The section describes:
- a) the assumptions that the Panel used when assessing the financial impacts of the proposal;
 - b) the process and methodology that the Panel used in developing its estimates;
 - c) the result of the Panel’s calculations; and
 - d) the conclusions that the Panel came to relating to the economic and financial impacts of the proposal.

OPERATING SURPLUS/DEFICIT

Assumptions and Process

- 169 The Panel commenced by establishing the assumptions that it believed should be used in dissecting the current revenue and expenses of the Hume City Council, in order to establish what might be attributed to each of the new municipalities. In August, the Panel sent an information package to a range of local organisations and to all people who had expressed an interest in making a submission on the proposal. This package contained the proposed assumptions (Attachment 3) and the public was invited to comment on their appropriateness. None of the submissions received substantively questioned the reasonableness of the Panel’s assumptions.⁵⁹
- 170 The Panel also assumed that, for the purpose of this analysis:
- a) the residents of the new municipalities would receive the same services as they currently receive from the Hume City Council.

The Panel notes that, as identified in Section 2, there is some dissatisfaction with the present level of service. However, the Panel did not take these concerns into account when making its financial estimates.

- b) the method of delivering services would remain the same as that adopted at present by the Hume City Council.

Thus, for example, if a service were currently delivered by staff it would continue to be delivered in the same way to the residents of “Sunbury” and the “Balance of Hume”. The Panel considered the possibility of assuming that external contractors would deliver a greater proportion of services. However, it was advised that the

majority of services had been through a competitive tendering process already, and could therefore be reasonably assumed to be cost-competitive. In any case, even if there were possible savings to be generated from outsourcing, this would more than likely be offset by a profit element incorporated in the contracted price.

- 171 The Panel considered a range of ways in which to approach the costing analysis. It decided to use the Hume City Council's budget for 2000/01 as the base for the majority of its analysis, given that the Panel had already assumed that service levels in the two new municipalities would remain essentially unchanged. Other methods such as zero-based costing were considered, but the Panel believed that its chosen methodology was quite appropriate as an analytic approach.
- 172 As the Hume City Council formally adopted the 2000/01 budget, the Panel accepted that it represents a reasonable estimation of recurrent revenues and expenditures that would be involved in providing services to the residents of "Sunbury" and the "Balance of Hume".
- 173 The Panel then confirmed the reasonableness of this approach by comparing the Hume City Council's expenses per head of population with the statistics of other councils. The following table shows the Hume City Council's expenditure per head of population, compared with other like-sized councils.

1998/99			
Municipality	Population	Expenditure (\$'000)	Expenditure per head (\$)
Mornington	124,200	61,332	494
Darebin	129,600	62,458	482
Hume	129,600	56,631	437
Banyule	119,500	52,045	436
Moreland	137,400	59,324	432
Yarra Ranges	141,200	58,517	415
Kingston	134,300	55,019	410
Knox	143,700	56,334	392
Glen Eira	123,500	48,187	390
Greater Dandenong	131,800	46,114	350
Average expenditure per head			424

TABLE 2 Expenditure figures per head of population for councils of similar size to Hume City Council

Note:

- a. Expenditure excludes depreciation and debt servicing expenditures. ¹⁴
- b. Data provided from MAV database of councils, based on 1998/99 annual reports.
- c. Hume population figures based on MAV data varies marginally from that used by Panel.
- d. Median expenditure per head \$423

- 174 This shows that Hume's 1998/99 actual expenses of \$437 per head are only marginally above the average and median of ten councils with a population of a similar size. If one then looks at Hume's 2000/01 budgeted expenditures on a consistent basis with the above, the expenditure per head actually declines to \$424 per head, which indicates an improving level of efficiency.
- 175 The Panel is satisfied that there:

- a) appear to be no significant inefficiencies in the way that the Hume City Council manages its operations; and
 - b) are no abnormal penalties or unusual benefits incorporated in its 2000/01 budget.
- 176 This means that it is also reasonable to assume that this budget reflects the medium term annual income and expenditures of the city. Thus, it is in order to assume that the revenue and expense estimates made for “Sunbury” and the “Balance of Hume”, which are based on the 2000/01 budget, would also reflect the annual financial outlook over the medium term of the two new municipalities.
- 177 The Panel did receive submissions to the effect that:
- a) some existing functions would not be required by “Sunbury”; and
 - b) existing service levels were inadequate in some instances, and people expect a higher level of service to be provided by the new “Sunbury”.
- 178 The Panel did not adjust expenditure projections for these issues, because:
- a) it saw no convincing evidence that any of the existing functions would not be required by “Sunbury” (at some level), or would not be expected of any ‘modern’ local government authority; and
 - b) while a future “Sunbury” Council may indeed respond to community desires or pressure for an increase to current service levels, this would only increase the costs of providing that service. This would unduly load the expenditure requirements, and the Panel took the view that any increased service levels should be funded through productivity improvements.
- 179 When analysing the 2000/01 budget the Panel eliminated all internal charges (interdepartmental transfers) and most transfers to reserves that were incorporated in the budget. The Panel’s concentration was on revenues derived from external sources and expenditures paid to external parties.
- 180 It should also be noted that depreciation (the decline in value of an asset due to wear and tear) is not included in any budget numbers or the Panel estimates. It is not the practice in local government to provide for depreciation when developing budget estimates. The municipality relies principally on generating an operating surplus of sufficient size to fund the replacement of worn out assets. Depreciation is then accounted for in the annual financial statements.

Revenues

- 181 When considering the revenues that would accrue to the two proposed municipalities, the Panel identified the source of all items of revenue in the 2000/01 budget and allocated them to the two municipalities as follows:
- a) rates (and rates in lieu) – based on the geographic location of the rateable property;
 - b) government grants – on the basis of road length for grants associated with roadworks, and population for all other grants;

- c) user charges – based on the geographic location for those facilities generating the charge, and population for other charges;
 - d) fines – based on population;
 - e) asset sales – based on the geographic location of the land;
 - f) all other revenue items – based on population.
- 182 When analysing **rates**, the Panel observed that the vast majority of the Hume City Council's industrial and commercial rate base is located east of Deep Creek. The rate base west of Deep Creek (ie in "Sunbury") is essentially residential. Rate revenue from industrial and commercial sources in "Sunbury" would generate only about 9.2% of that municipality's total rate revenue. A comparable figure for the "Balance of Hume" would be 25.4%. This skewing of the rate base would potentially work to the disadvantage of "Sunbury", and to the advantage of the "Balance of Hume".
- 183 Based on 2000/01 budget estimates, "Sunbury" would generate rate revenue from all sources of about \$210 per head of population, while the "Balance of Hume" would generate about \$272 per head. (The total figure for the Hume City Council is \$258 per head).
- 184 The Panel also noted that none of the revenues derived from the Melbourne Airport or the Commonwealth Note Printing Works (known as **rates in lieu**) would be available to "Sunbury". This revenue will amount to \$3.38m in 2000/01.
- 185 When assessing **government grants**, the Panel assumed that the two new municipalities would share the 2000/01 grants available to the Hume City Council:
- a) around \$5 million of the total revenue from grants of \$12 million is provided by the Victoria Grants Commission ("VGC"). The Panel recognises that in the event of the creation of two new municipalities, the VGC would recalculate all grants to all municipalities in the State. However, the total amount of funds available to local government would not change, and it appeared reasonable to the Panel to assume that the total available to the two new municipalities would approximate the grants available to the Hume City Council. The Chairman of the VGC also advised that, for the purpose of this exercise, it was reasonable for the Panel to split local road grants on the basis of road length, and to allocate general purpose grants on the basis of population; and
 - b) the balance of government grants is essentially for direct services and usually determined on a population or needs basis. The Panel has divided these on the basis of population as, even if the proportion of the grant to one part of the municipality were to increase on the basis of need, so would its expenditure in order to meet that need.
- 186 Revenue from **asset sales** refers only to those that have been identified for sale in the 2000/01 budget, a total of \$1.058 million. These are not major asset sales, and most are located outside the Sunbury area. These represent only a small part of the total revenue.
- 187 The allocation of all revenues on this basis results in:

	Revenue \$'m
“Shire of Sunbury”	13.1
“Balance of Hume”	<u>55.9</u>
TOTAL	69.0

188 This total revenue is the same as the current Hume City Council budget, which is to be expected, as the Panel assumed that no new revenue would be generated from the separation of the municipalities.

Expenses

189 The Panel then examined the likely expenditures required to manage the two municipalities.

190 The Panel recognises that a lot of local government functions are about provision of basic services. These are expected to be delivered by the community, and the council may have little discretion, although it does have discretion over how it organises itself to deliver them. The Panel did not assume that any future council would specifically have to organise itself along the same lines as Hume City Council, however it did accept that its current budget is an appropriate foundation on which to base estimates of the cost of delivering services to residents of “Sunbury” and the “Balance of Hume”.

191 The Panel is simply attempting to analyse the global position of the two municipalities in the event of separation. It recognises that there may be savings or additional expenditure that could be made. These have not been incorporated in this analysis, as the Panel has taken the view that they would effectively be neutralised in this exercise. Where there are obvious savings or additional expenses, the Panel has factored them in, and identified them clearly.

192 To undertake the analysis, the Panel divided the Hume City Council’s budgeted expenses into four categories:

a) those expenses that are **location specific** – ie they attach to a particular geographic location within the municipality;

and the remaining non-location specific expenses that are made up of:

b) **variable** expenses – that vary in direct proportion to the volume of services delivered;

c) **semi-variable** expenses – that are affected by the volume of services delivered, but not necessarily in direct proportion to that volume; and

d) **fixed or semi-fixed** expenses that must be incurred irrespective of the size of the municipality and the number of services it delivers.

193 The Panel classified every item of expense in every service delivery and administration area in Hume’s 2000/01 budget into one of the four categories summarised above. This involved the examination of about 3,800 individual items of expenditure.

- 194 Attachment 11 contains a detailed list of all revenues and expenditures, and the basis on which they were allocated.

Location specific expenses

- 195 Location specific expenses (which account for nearly 30% of Hume City Council's total expenses) are those that attach to a specific council owned facility such as a community centre, leisure centre, council building, kindergarten or sporting facility. They reflect the direct cost of operating the facilities, and include salaries and wages of employees delivering the service from the facility and the cost of maintaining the facility in good condition. The Panel assumed that there would be no change in:

- a) the number or distribution of these facilities; and
- b) the cost of operating them.

Thus the Panel allocated 2000/01 location specific expenses to "Sunbury" and the "Balance of Hume" based on the geographic location of the facilities.

Variable expenses

- 196 Variable expenses (which represent about 54% of Hume City Council's total expense) vary in direct proportion to the volume of services delivered. They involve the delivery of services across the whole municipality – and not just to identifiable locations. They can involve direct expenses such as salaries of service delivery personnel and plant operating costs, and indirect costs such as salaries of personnel administering the delivery of services.

- 197 The Panel allocated variable expenses included in the Hume City Council's 2000/01 budget to "Sunbury" and the "Balance of Hume" on the basis of the factor most likely to influence the volume of services delivered. The following factors were identified as relevant indicators:

a) Population

Where an expense is incurred in delivering a service to the community in general, it will generally vary in proportion to the number of people receiving the service. Examples of such services are: aged care, meals services, youth and accommodation services, health operations, recycling services, local laws supervision, together with the planning and coordination of all city-wide service delivery activities. Population based expenses were allocated 22% to "Sunbury", and 78% to the "Balance of Hume".⁶⁰

b) Length of road network

Where expenses are incurred in servicing roads or facilities associated with roads (such as street lighting, powerline tree clearance, drain maintenance, bus shelter maintenance), they will vary in proportion to the length of the road network. Hume City Council advised the Panel that the length of the road network in the proposed "Sunbury" approximates 21% of the total network.

c) Other

Some minor variable expenses were apportioned on a basis other than population or road length, eg rate revenue, where the Panel believed that a different methodology would provide a more realistic estimate of variable expense in "Sunbury" and the "Balance of Hume".

Semi-variable expenses

- 198 Semi-variable expenses are influenced by the volume of services delivered, but not necessarily in direct proportion to that volume. Semi-variable expenses represent about 11% of the Hume City Council's 2000/01 budget
- 199 For example, audit services are provided to all councils. Audit fees are generally higher in larger councils than in smaller councils, but not in direct proportion to their respective size. This is due to the fact that an auditor must conduct a certain number of tests irrespective of the size of the council; ie there is a fixed element in the total fee. Thus, as an example, the audit fee for a council with revenue of, say, \$60 million may be \$60,000, while the fee for a council one half the size may be \$45,000 (and not \$30,000 which would be the case if the expense were fully variable).
- 200 During its review of the 3,800 or so items of expense, the Panel wished to identify all items that were semi-variable in nature, and then determine a realistic formula to assess the level of semi-variable expenses in the two municipalities.
- 201 The Panel applied two basic formulae in this process.
- 202 The first was applied to a range of organisational activities that the Panel assessed would require more resources to manage as two separate organisations than it would as one. Economies of scale can be particularly important in certain functions, and a "population" based split of expenditure would be likely to leave both "Sunbury" and the "Balance of Hume" with insufficient resources to provide adequate servicing.
- 203 Where the Panel was convinced that additional resources would be required, it applied a formula that allocated 85% of the Hume City Council's budgeted expense to "Balance of Hume" (to recognise that some savings would be achieved) and 50% to "Sunbury" (recognising that a reasonable expense would be incurred to provide that function).
- 204 The functions that the Panel applied this formula to were:
- a) Supervision of specific service delivery activities (eg. accounts, staff training, payroll);
 - b) management of Council meetings and business;
 - c) provision of information and communications services;
 - d) records management;
 - e) subscriptions to professional organisations;
 - f) community education activities;
 - g) legal and audit services; and
 - h) general consulting services, including Best Value.
- 205 The Panel is satisfied that the above type of semi-variable expense in two councils would be about 135% of that incurred in one council.
- 206 The second formula was applied to those costs that would be incurred as a result of two elected Councils being in place. The Panel assumed that the "Balance of Hume" would operate with eight councillors (the same number as the current Hume City Council), and that "Sunbury" would operate with five. The Panel selected five councillors for "Sunbury" as it was the only number mentioned in any of the public submissions, even though the Panel believes that a larger number may be more appropriate. Therefore 100% of the Hume City Council's budgeted expense was allocated to the "Balance of Hume", and 62.5% (or five-eighths) to "Sunbury".

207 This formula was applied to the cost of the Mayor and councillor allowances, training and any associated benefits that vary in proportion to the number of councillors.

Fixed or semi-fixed expenses

208 Fixed or semi-fixed expenses (which account for about 5% of Hume City Council's 2000/01 expenses) are those that must be incurred irrespective of the size of the municipality or the volume of services it delivers.

209 During its review of the 2000/01 budget the Panel isolated all expense associated with senior management – ie staff at levels 1, 2 and 3 in the Hume City Council organisation. This is by far the largest component of fixed and semi-fixed expense. The Panel assessed that the “Balance of Hume” would need essentially the same senior management structure as the Hume City Council. In the Panel's view the size differential in the two organisations would not justify any significant reduction in senior management. Thus, 100% of the Hume City Council's senior management expense (and the support staff directly associated with those positions) was allocated to the “Balance of Hume”.

210 The Panel then established the cost of appropriate senior management for “Sunbury”, by assessing the number and type of senior management positions that would be needed to ensure that existing services are delivered to the residents of “Sunbury” in the most cost effective way possible. In doing this, the Panel examined the structures of similar sized councils and considered the management and technical functions that needed to be accommodated within the “Sunbury” organisation. It also considered the level of remuneration offered by other Councils, and the cost of attracting suitable qualified and experienced staff.

211 The Panel assumes that 10 management positions will be required within the senior structure, and a further 4 secretarial/administrative positions to provide support to the CEO and Directors/Managers and to the Mayor and Councillors. Attachment 12 outlines the full costs of the proposed structure.

212 It was not the Panel's intention to define a specific organisational structure. It simply considered the types of functions that would be required by “Sunbury”, and set out to establish a responsible number of senior managers to carry them out, paying due regard to the legal, financial and service ramifications of not having an adequate management structure in place.

213 The Panel considers that its costing for the “Sunbury” senior management structure is very conservative, when compared with a number of other councils.

Adjustments to the Operating Budget

214 In addition to the “Sunbury” senior management structure, the Panel made some adjustments to the Hume City Council's 2000/01 budget to better reflect the two new municipalities' ongoing recurrent income and expenditures:

a) the estimated cost of the **senior management** structure is \$1.17m;

b) the Panel included cost of triennial **council elections**, based on the cost for the Hume City Council 2000 election (\$220,000) for the “Balance of Hume”, and a reduced amount for the “Shire of Sunbury” (\$170,000). To assess the ongoing

impact, the cost was amortised over the three years, and one third included as an ‘annual’ expense.

- c) the Panel also recognised that there would be an additional ongoing cost to the “Balance of Hume” for **office accommodation** for about 60-70 indoor staff displaced from the Sunbury municipal office. The Panel has assumed that the staff would be placed in leased accommodation in the Broadmeadows area, and on the basis of commercial rentals has estimated this at an annual cost of \$100,000; and
- d) the Panel has accepted the proposition that “Sunbury” would sell surplus land in Racecourse Road and elsewhere and use the proceeds to retire its share of the Hume City Council’s debt. (The background to this assumption is contained in Section 4 in the Panel’s comments on the submissions by the SRA). Hume City Council’s debt servicing expenditures budgeted for 2000/01 total \$5.55m. The “Sunbury” share of annual **debt servicing costs** would equal \$1.25m. This expenditure has been deducted from the “Shire of Sunbury” total expenditure.

Results

215 The detailed financial impact of the above assumptions and allocation process on the operating budget appears in Attachment 11. That Attachment summarises the apportionment of each line item of the Hume City Council’s 2000/01 budget and the basis of that apportionment.

216 The ongoing financial impact of the proposal to divide the Hume City Council into two municipalities may be summarised as follows:

	Hume 2000/01 budget (\$m)	“Sunbury” (\$m)	“Balance of Hume” (\$m)	Added net cost (\$m)
Revenue	68.95	13.07	55.89	
Expenditure	(60.47)	(15.22)	(46.84)	(1.58)
Sub-total	8.48	(2.15)	9.05	(1.58)
Council elections		(0.06)	(0.07)	(0.06)
“Sunbury” senior management structure		(1.17)		(1.17)
Additional office accommodation for “Balance of Hume”			(0.10)	(0.10)
Elimination of “Sunbury” debt servicing		1.25		
Estimated operating surplus/(deficit)	8.48	(2.13)	8.88	(2.91)

TABLE 3 Summary of operating surplus/(deficit) for two municipalities

Note:

a. Figures based on Hume City Council 2000/01 budget (see Attachment 11); rounded to two decimal points.

- 217 The added net cost of \$2.91m reflects the additional estimated operating cost of servicing the Hume City Council’s residents by two separate organisations. It should be noted that the elimination of “Sunbury” debt servicing costs does not represent a deduction from the additional costs, because the land sale (which would fund the debt reduction) is an option currently available to the Hume City Council.
- 218 The Panel then compared its adjusted annual expenditure estimates for “Sunbury” with those of councils of a similar size (ie those with populations between 25,000 and 36,000), as shown in the following table:

Municipality	Population	Expenditure (\$000)	Expenditure Per Head (\$)
Campaspe	35,500	26,644	750
Warrnambool	28,500	20,682	725
South Gippsland	25,500	16,349	641
Baw Baw	35,000	22,402	641
Moira	26,200	16,275	621
Wangaratta	26,100	15,966	612
Wodonga	31,300	19,010	607
“Sunbury” – Panel’s estimate for 2000/01	28,383	15,195	535
Macedon Ranges	35,900	17,110	477
Mitchell	26,900	12,639	470

TABLE 4 Expenditure per head for councils of similar size to “Shire of Sunbury”

Note:

- a. Expenditure excludes depreciation and debt servicing. ¹⁴
- b. Data provided from MAV database of councils, based on 1998/99 annual reports.
- c. Average expenditure per head (excluding “Sunbury”) is \$616
- d. Median expenditure per head is \$621

- 219 The “Shire of Sunbury” expenditure per head of population of \$535 (for 2000/01) is significantly lower than both the average and median of the like-sized councils’ actual expenditures per head in 1998/9.
- 220 The Panel is satisfied that in calculating the cost to operate “Sunbury” it has tended to underestimate expenditures. Therefore, the Panel’s estimate of the “Sunbury” operating deficit may well be understated.
- 221 Based on the Panel’s analysis of revenue and expenses, the new “Shire of Sunbury” would have an operating deficit of at least \$2.13m.
- 222 The “Balance of Hume” would have an operating surplus of \$8.88m, spread over a reduced population.

CAPITAL EXPENDITURES

- 223 Every local government is the owner of significant assets. Managing these assets on behalf of the community is a big responsibility and Councils need to have the ability to meet long term investment needs in the renewal and acquisition of infrastructure assets.

224 A recent study undertaken for the Local Government Division (DOI) has identified the problem facing local governments in meeting the funding needs to enable adequate management of their infrastructure assets as a major issue:

*“Councils all over Australia are now facing the problem of ageing assets in need of renewal.As it is, Councils now have to prepare for increased funding to meet the needs of asset renewal.”*⁶¹

225 In addition, community needs create pressure for new assets to be created.

226 Managing infrastructure assets through a long-term capital works planning process is essential to meeting the strategic and financial objectives of councils.

227 A local government must therefore be able to generate consistent operating surpluses that are sufficient to fund its ongoing capital works program. While a council may receive some capital works funding from government grants and/or from the sale (or trade-in) of its own assets, the only reliable source of funds within its control are those funds that are generated from its own operations.

228 A Council manages its cash flow each year in order to provide for acquisition of assets. When setting its operating budget a council will often provide for future capital expenditures by transferring some of its budgeted revenues to reserves (or, in effect, by “reserving” some of its current operating surplus for future use). It may then utilise those reserves at a later date to cover capital expenditures if a future year’s operations do not generate a sufficient surplus.

Assumptions and Process

229 When considering the Hume City Council’s 2000/01 budget, the Panel ignored budgeted transfers to and from reserves because in effect these reflect a “smoothing” process to account for the uneven timing of capital expenditures. However, in the final analysis a council must generate consistent operating surpluses sufficient to meet its capital works commitments.

230 As indicated in Table 3 (paragraph 216) above the Hume City Council is budgeting for an operating surplus (before transfers to and from reserves) of about \$8.48m in 2000/01. It will use that surplus, together with sales of plant and equipment (mainly trade-ins) and some government grants, to fund its 2000/01 capital works program of \$11.21m.

231 When assessing the long-term viability of the two proposed municipalities, the Panel took the Hume City Council’s approved five-year capital works program as the basis for its analysis of the capital needs of “Sunbury” and the “Balance of Hume”. In adopting this position the Panel recognises that these forecasts may not necessarily reflect actual future capital expenditures of the two proposed municipalities, depending on the availability of resources. However, the Panel is satisfied that the Hume City Council has in place an effective process for identifying and prioritising required capital works, and a five-year planned program.

232 Therefore the Panel believes that the Hume City Council’s five-year capital works program represents a reasonable approximation of future capital expenditures. Attachment 13 shows details of the planned program for the financial years 2000/01 to 2004/5.

- 233 The estimated average annual expenditures over the five year period for the Hume City Council are \$14.2m, of which \$1.9m is planned to be spent in “Sunbury” and \$12.3m in the “Balance of Hume”.
- 234 In reviewing these estimates the Panel notes that actual capital needs may well be higher, particularly in “Sunbury”. The assumed “Sunbury” annual capital expenditures amount to \$183 per rateable property, which is significantly lower than the Victorian average of \$323 recorded for 1997/8.⁶² However, for the purposes of its financial analysis the Panel accepted the more conservative estimate contained in the Hume City Council’s approved program.
- 235 The Panel also notes that the SRA submission identifies a number of desirable additions to the “Shire of Sunbury” program. These average \$0.32m per annum. (See Attachment 13). The Panel has not taken this additional amount into account in its analysis.

Results

- 236 As indicated in the summary of operating results (see paragraph 216), the “Shire of Sunbury” would generate a deficit from operations and would therefore be incapable of funding its necessary capital expenditures.
- 237 Allowing for some small income from sales of plant and equipment, the “Shire of Sunbury” has a further requirement for capital funding of at least \$1.62m per annum, exacerbating its operating deficit.
- 238 On the other hand the “Balance of Hume” would appear to have ample capacity to fund at least its current planned capital works program.

DIVIDING THE ASSETS AND LIABILITIES

Assumptions and Process

- 239 In the event that two municipalities are created, the assets and liabilities of the Hume City Council would have to be divided between “Sunbury” and the “Balance of Hume” on an equitable basis.
- 240 As previously stated, the Panel adopted the fundamental principle that the origin of the Hume City Council’s assets and liabilities is no longer relevant. As at this time, and until the date an actual separation were to occur, all the assets and all the liabilities belong to all the residents and ratepayers of the Hume City Council, irrespective of their origin.
- 241 The Panel took this view because it believes that there is little point in “looking back” to identify assets and liabilities brought into the new municipality by the Shire of Bulla and the City of Broadmeadows at the time of amalgamation. Approximately one-half of the residents of the old Shire of Bulla will remain within “Balance of Hume” if the proposal for a new “Sunbury” is implemented. A period of almost six years has elapsed since the amalgamation. The Panel anticipates that many residents would have since left the area in question and there would have been a substantial influx of new residents.

- 242 Accordingly, the Panel believes that it is not appropriate to look to the history but that it should consider the current residents of Hume City Council to be the “shareholders” of the city. Assets and liabilities, revenue and expenses, should be allocated in a manner that reflects their current standing and joint ownership, and is fair to them all as a group.
- 243 The Panel recognises that there is a view that assets and liabilities should be split on the basis of their origin. The Panel rejects this view. Any dissection that is based on tracing the assets and liabilities to pre-amalgamation days may be grossly unfair to those people who have become residents and ratepayers since the creation of the Hume City Council. The Panel believes that all current residents and ratepayers of the municipality should be considered the joint owners of its current net assets.
- 244 Yet another view regarding the division of liabilities, particularly debt, has been put by the SRA. It claims that Sunbury assets would have less debt ‘owing’ on them now, and that they should be apportioned on the level of debt remaining, resulting in a lower allocation to the new “Sunbury”. The Panel also rejects this reasoning, as:
- a) it is inconsistent with the fact that the Shire of Bulla brought \$12.83m of debt into the new city (see paragraph 151), and ignores the common ownership of that liability by all those in the previous Shire of Bulla; and
 - b) it ignores the fact that assets are acquired over a period of time, and using ‘cash’ or ‘borrowings’ at the time for particular assets is the choice of the Council of the day.
- 245 However, it seems apparent that if a separation were to occur, it would be likely to generate a substantial level of disagreement regarding the apportionment of liabilities.
- 246 The Panel considers that the principles that follow would provide the most equitable way to split assets and liabilities in the event of the disaggregation of the Hume City Council:
- a) **Location** – assets and liabilities that attach to a particular geographic location (such as land, buildings, roads, parks together with associated furniture and equipment) should be allocated to the municipality which controls that location; and
 - b) **Population** – assets and liabilities that do not attach to a particular geographic location, and/or are available for the benefit of all residents of the Hume City Council should be allocated on the basis of population.
- 247 Two items require special consideration:
- a) the Panel assumes that in the event of a split both new municipalities would seek membership in the **Hume-Mooney Valley Regional Library**. The Hume City Council’s investment in the regional library mainly represents its share of the library’s collection materials. As these materials are available to all residents of the Hume City Council the investment should be split on the basis of population (ie “Sunbury” would not be allocated all the bookstock currently located in the Sunbury branch library), or as set out in the Regional Library Agreement; and
 - b) apart from one exception (debt relating to the acquisition of the Goonawarra Golf Course) Hume City Council’s **borrowings** have been incurred for the general benefit of all residents. They were either inherited upon amalgamation or were drawn down since amalgamation for the acquisition of assets that are available to all residents, or for general financial purposes (eg to fund the city’s unfunded

superannuation liability). As such they should be allocated on the same basis as non-location specific assets – ie on the basis of population. The borrowing that attaches to the Goonawarra Golf Course should be allocated to "Sunbury" (this incurs an annual repayment of \$32,000).

- 248 In the event of a split, the Panel believes that the following process should be adopted:
- a) all location specific assets and liabilities should be transferred to the municipality in which they are located;
 - b) each municipality's entitlement to non-location specific assets and liabilities should be based on their written down book values at transfer date; and
 - c) if the parties agree that one municipality should receive more non-location specific net assets than its entitlement (eg for operational efficiency), then a financial adjustment should be made between the municipalities based on the written down book values of the net assets affected.

Results

- 249 The actual financial position of each council would not be known until the date of the split. However, to provide an indicative position the Panel notionally split the Hume City Council's balance sheet as at 30 June 2000 using the above assumptions and process. The result is shown in Attachment 14.
- 250 The debt that the Panel believes should be applied to the "Shire of Sunbury" is \$6.89m.
- 251 The only conclusion that can be drawn from this Balance Sheet analysis is that both new municipalities would start life with an acceptable level of net assets, but without any "cushion" that could absorb future hard times. Both municipalities would have to maintain a very tight financial discipline over their future operations.

ESTABLISHMENT COSTS

- 252 It was not specifically required of the Panel to consider issues regarding implementation, however these were certainly raised by the SRA in its discussions with, and submission to, the Panel. The Panel did, therefore, give some consideration to the process itself, though not in any depth, so as to make some estimate of the "one-off" costs involved in undertaking a separation.
- 253 The Panel considered it important to try to quantify the establishment costs in order to estimate what the overall cost to the 'taxpayer' might be in creating two municipalities. The Panel found it difficult to be precise in completing this exercise and the list of items identified should not be considered exhaustive, and the amounts shown are only a guide as to the possible total cost.
- 254 The Panel believes there would be considerable legal, industrial and accounting hurdles to be overcome, and these create potentially significant cost imposts.
- 255 The Panel used the following assumptions regarding the process in making its broad estimates:

- a) appointment of a ‘responsible body’ to act as decision-makers regarding assets and liabilities (eg. a Commissioner/Administrator or Panel);
- b) appointment of appropriate staff to assist the separation process (the SRA also proposes a ‘Separation Coordinator’);
- c) preparation of a detailed Implementation Plan and timetable;
- d) a six to twelve month implementation process; and
- e) the new "Shire of Sunbury" and "Balance of Hume" to commence 1 July 2002.

256 The following table shows the Panel’s estimate of costs:

ESTIMATED ESTABLISHMENT COSTS	\$
Management of Process	150,000
Separation Panel/Commissioner; support Staff (1); preparation of Implementation Plan	
Implementation Resource within proposed Councils	140,000
New CEO "Sunbury" (Jan-June 2002) and support; Hume CC Coordinator (6 months)	
Legal Costs	250,000
Dissolution Agreement; contract renegotiations, establishing new contracts; Industrial/employment contracts; advice re powers, LGA matters, governance issues; local laws	
Due Diligence Audit	35,000
Consultants/specialist advice	50,000
Industrial relations; finance; etc as required	
Council Elections	
"Sunbury";(no allowance made for Hume if required)	150,000
Corporate Identity and Communications	200,000
Logo design and replacement; signage; printing; website; information to residents and staff	
Information Systems	200,000
Purchase of new hardware (servers, PABX); purchase of system software and licences; establishment of electronic payment options	
Employment Related Costs	180,000
Recruitment costs for senior management; redundancies (minimal allowance of \$100,000)	
Additional Fleet/plant/equipment	380,000
Vehicles & equipment (Mayor, CEO, senior managers); councillor equipment; sundry plant (as required)	
Accommodation Requirements	220,000
Removal and fit out costs for Hume staff displaced from Sunbury Municipal Office; Sunbury Depot upgrade	
Dissection of Data/Records Systems	100,000
Cleansing, dissection, filing	
TOTAL	2,055,000

TABLE 5 Estimated establishment costs for the “Shire of Sunbury”

Note: Nominal amount included for Information Systems. Total cost of hardware and software is estimated by Hume City Council at up to \$850,000.

257 The Panel estimates that it would cost in the order of \$2.0m to create the two new municipalities.

OVERALL CONCLUSIONS ON FINANCIAL IMPACTS OF SEPARATION

258 A summary of the overall financial impact on the new “Shire of Sunbury” is as follows:

"Shire of Sunbury"	\$m
Deficit from operations	2.13
plus	
Average Annual Capital Works	1.89
less	
Income from sale of plant	(0.28)
TOTAL DEFICIT	3.74

TABLE 6 Total deficit “Shire of Sunbury”

Note:

- a. The summary of operating deficit is shown at Attachment 11
- b. Capital Works funding requirements is shown at Attachment 13

259 In order to fund this total deficit of \$3.74m, the ratepayers of the “Shire of Sunbury” would need an increase in the total amount of rate revenue, in the order of 63%. This would equate to an average rate increase for the various categories of rateable property as shown in the table below:

“Shire of Sunbury”	Number of Rateable properties	%
	10324	
Cost as % increase in total rate revenue		62.7
Increase in average rate per property		\$
* Residential	9168	321
*Rural Residential	451	687
*Industrial/Commercial	521	667
*Farm	180	731
*Urban Farm	4	3,478
Cost per rateable property (flat rate)		363

Table 7 Cost impact by type of property

Note:

- a. Details shown in full at Attachment 15

260 The specific impact for individual properties will be different depending on the category of property and the capital improved value of that property. What a property is worth will determine the rate payable. The table below shows the impact for residential properties.

"Shire of Sunbury" Residential property worth	Current rate \$	New rate \$	Increase \$
\$100,000	401	652	252
\$150,000	601	979	377
\$200,000	802	1,305	503
\$250,000	1,002	1,631	629

Table 8 Increased rate impact for residential properties

261 Alternatively, a flat rate across all rateable properties, similar to that proposed in the SRA submission, would require a flat rate payment of **\$363** per property.

Impact on “Balance of Hume”

262 The council operating the “Balance of Hume” would have the opportunity to fund further capital works, reduce debt or increase services. It would also have a lower population to service than the Hume City Council.

263 Therefore, if a “Shire of Sunbury” was created there would be no adverse effect on the remaining residents and ratepayers of Hume.

Impact on the “Shire of Sunbury”

264 The “Shire of Sunbury”, on the other hand, would have a total deficit, including both operating expenses and capital expenditure, of about \$3.74m per year.

265 The ratepayers of “Sunbury” would have to accept either

- a) an increase in average rates of about 63%; and/or
- b) a significant reduction in municipal services.

266 Essentially, the reasons for this result for the ongoing financial viability of “Sunbury” are:

- a) its commercial and industrial rate base would be negligible;
- b) it would not share in the revenues generated from the Airport and the Note Printing Works;
- c) it would have to establish a separate management structure;

- d) it would have to establish a separate infrastructure to handle records management, information and communications technology;
 - e) it has to spread fixed and semi-variable expenses over a smaller base; and
 - f) one (positive) factor is its capacity to sell council land and retire debt, but this is still insufficient to give it a positive operating result.
- 267 The “Sunbury” rate base is essentially residential and is insufficient to absorb the costs of operating a separate municipality. The financial analysis demonstrates the benefits that cross-subsidisation of rate revenue bring to the present residential ratepayers of the Hume City Council.
- 268 It also demonstrates the benefit of cross-subsidisation that Sunbury ratepayers are currently receiving as part of the Hume City Council.

Additional Costs of Separation

- 269 The community within the current boundaries of the Hume City Council would have to bear an unnecessary additional cost burden of about \$2.91m per annum – the direct result of two separate councils costing more to provide services to an area rather than one.
- 270 In addition, one-off establishment costs of around \$2m would be required.

SECTION FOUR: COMMENTS ON SUBMISSION FROM THE SUNBURY RESIDENTS ASSOCIATION

- 271 The Panel received a written submission from the SRA, and also received two further sets of 'Additional Information' in response to queries and requests from the Panel. The Panel met with SRA representatives on three separate occasions, spending in excess of seven hours exploring issues with them.
- 272 Given that the SRA appears to be the major proponent of the proposal under examination, and to make clear the Panel's position in relation to a number of issues raised, the Panel has undertaken a more detailed analysis of this particular submission. It was not able to do that in the time available for all the other submissions.
- 273 Part of the main submission from the SRA was concerned with the history of events and its views about these, but the Panel considered this to be far less relevant than the analysis of the future. Some of the issues raised have been dealt with in Section 2 of this report, eg. community of interest, transport links, and planning decisions.
- 274 The following are the Panel's comments on the content of the SRA submission relating to its propositions regarding the economic viability of a new "Shire of Sunbury"⁶³, and other issues which have not been previously dealt with.

Size

- 275 The SRA states that "*We believe the new Shire of Sunbury will be viable, as its population would be close to 30,000....which is equal or greater than 43% (35) of existing municipalities in Victoria...*".⁶⁴ The Panel accepts that there are smaller municipalities, but notes that these are all rural shires, and that there are no metropolitan councils as small as 30,000. It also accepts that there are different views as to whether Sunbury should be considered a metropolitan or rural area. Sunbury residents themselves generally refer to the area as 'semi-rural'.
- 276 The Panel believes that the issues of population and population density are not of themselves the issue, but rather whether or not that population can support the expenditures required to provide the requisite level of services.
- 277 The Panel's conclusions clearly indicate that this is not the case for the proposed "Shire of Sunbury".
- 278 Further argument that the municipality is growing and will therefore generate "*a good increase in the residential rate base*"⁶⁵ is relevant. However increased population will bring with it the need for increased servicing and therefore both income and expenditures will be affected. Also, recent revaluations indicate that property values are increasing at a slower rate than the average across Hume, which will also reduce the current levels of revenue available through rates (when compared with rate revenue generated east of Deep Creek). The Panel may therefore have possibly overstated the potential rate revenue to the "Shire of Sunbury", even on its current calculations.
- 279 Likewise, the SRA argument that commercial opportunities may grow with population is accepted, however commercial properties in the current Sunbury area only account for 7.6% of that area's rate income. The Panel's analysis has shown that it is the industrial

rate base of Hume City Council which is significant in cross-subsidising residential rates, and there has been no suggestion that major industrial development would be either viable or desirable to establish in Sunbury. A greater industrial presence would also undermine the rural atmosphere that the SRA and residents wish to maintain.

Efficiencies

- 280 In its submissions and oral presentations the SRA claimed that a more compact, smaller municipality would realise savings in transportation and communications costs, and would result in a more efficient use of staff time.
- 281 Initially the SRA did not quantify the specific savings and simply stated that they would be “*substantial*”.⁶⁶ The Panel requested the SRA to quantify this claim, and further pursued this at a meeting held on 28 September 2000.
- 282 The SRA representatives referred the Panel to an informal report presented to Hume councillors in 1997 that identified inefficiencies in operating two main municipal offices. Although the SRA was unable to table the report (which the representatives stressed was an informal document) it stated that this report valued the inefficiencies at \$1.0m to \$1.2m.
- 283 The SRA also raised a further report that it had obtained relating to possible cost savings in another Council. The SRA made a number of selective references to figures in this report. However, as the report related to quite different circumstances and was not made available to the Panel (as it was apparently a confidential report to that Council), the Panel did not consider it appropriate or necessary to pursue.
- 284 The Panel was able to sight the Hume City Council report (on which no formal Council decisions have subsequently been made), which related to future service delivery models. This confirmed that, while the total running costs of existing offices were estimated at over \$1.5m, the savings estimated by eliminating travel between two offices were about \$0.39m (mainly relating to vehicle costs and the cost of travel time)
- 285 These estimated savings would not result from the proposed separation of the council into two, but from Hume City Council reorganising its office arrangements. Even if “Sunbury” were allocated 22% of these savings, this would amount to only around \$90,000 per annum. However, in reality, the majority of the savings would be enjoyed by the “Balance of Hume”.
- 286 The Panel accepted that some level of cost saving might be achievable, however the order of magnitude implied by the SRA was not, because:
- a) the major savings identified are in senior staff travel between Sunbury and Broadmeadows offices. These savings will not be relevant to “Sunbury” as its staff will already be located there – all the benefit would be gained by the “Balance of Hume” ;
 - b) service delivery staff would still have to travel and service the same geographic area;
 - c) the Panel has no reason to believe that the number of vehicles required by the two municipalities would be reduced, as these are primarily related to direct service delivery; allocated to senior management; or required for the general administration of the Council. For the purpose of looking at claimed efficiencies, therefore, the

Panel is confident in assuming that at least the current number of vehicles would apply (allocated between the two municipalities on a population basis);

d) an analysis of the Plant Operating account in Hume City Council’s budget indicates that the total for fuel and running costs comprises only 29% of the budget, as the balance of that account is related to fleet maintenance staff and fixed car costs such as insurance, registration etc, (which are driven by the number of vehicles, not how far they travel) and externally leased plant; and

e) mobile phones (mentioned by the SRA) are used by the Hume City Council to provide better customer service, and their use is not based on geography.

287 Given these factors, the level of saving that might be achieved is considered relatively minor, not “*substantial*” as the SRA claim. The Panel satisfied itself that any efficiencies able to be gained by “Sunbury” would be insufficient to make an overall difference to its deficit position.

288 A further argument by the SRA is that the “Shire of Sunbury” will only have one population centre, and therefore “*key infrastructure including library, pool, leisure centre and a range of sporting facilities will not be duplicated*”.⁶⁷

289 This is irrelevant. In the Panel’s analysis, “Sunbury” has only been attributed with the actual costs of running its current facilities and, as these will continue to operate, there is no saving.

290 Scale economies are achieved where costs of a fixed nature are spread over a greater workload. A commonly accepted benchmark of efficiency is the cost per head of population of operating a council. Because smaller municipalities do not enjoy the advantages of economies of scale, their costs per head are normally higher than the larger municipalities.

291 The following table, previously shown in paragraph 60, now shows how the SRA estimate of expenditure would compare with other municipalities of its size:

1998/99		
Population	No. Councils	Average Expenditure Per Head \$
>140,000	5	398
120,001-140,000	6	427
100,001-120,000	9	406
SRA estimate for “Shire of Sunbury”		440
75,001-100,000	8	548
50,001 to 75,000	5	592
35,001 to 50,000	7	544
25,001 to 35,000	7	618
25,000 or less	30	776

TABLE 6 Average expenditure per head for “Shire of Sunbury” compared to councils of differing population sizes

Note:

a. SRA revised expenditure figure shown in Table 7, paragraph 322

b. SRA expenditure per head is based on its estimate for both expenditure and population.

- 292 The SRA estimate would result in an expenditure per head of \$440, which is significantly less than that for other similarly sized councils (\$618). This indicates that the SRA believe it could operate the “Shire of Sunbury” at the same level of efficiency as a council of more than three times in size, a proposition that the Panel does not find to be believable.
- 293 Overriding all this is the major consideration, outlined by the MAV, that *“based on economic efficiency criteria, the claims that some costs would be reduced for Sunbury is irrelevant. In a cost-benefit sense it is the net outcome for both Sunbury and the rest of Hume that is important.”*⁶⁸
- 294 Accordingly, the Panel has grave doubts regarding the SRA’s cost estimates, and cannot consider them a suitable basis for assessing the viability of the new “Shire of Sunbury”.

Existing Administration Infrastructure

- 295 The Panel accepts that administrative offices exist at Sunbury, which would be more than adequate for the proposed staffing levels of the “Shire of Sunbury”. If there is excess capacity, then leasing out a portion of those offices would generate some small amount of income. Any such income has not been recognised in the Panel’s estimates.
- 296 Also to be considered, however, is the cost to “Balance of Hume” of having to lease additional office accommodation to house those of its staff that would be required to move from the Sunbury office.

Level of Debt

- 297 Based on the financial statements at 30 June 2000, Hume City Council’s borrowings totalled \$29.84 million. The Panel concludes that the “Shire of Sunbury” share would amount to \$6.89 million, apportioned largely on the basis of population.
- 298 The SRA disputes that the “Shire of Sunbury” should be allocated this share of both short-term and long-term debt, and that the amount should be reduced. As previously discussed (paragraph 240-242) the Panel rejects that argument on equity grounds.

Retiring of Apportioned Debt

- 299 The SRA proposes that the “Shire of Sunbury” would repay its entire share of the Hume City Council’s debt from the proceeds of the sale of surplus council land at Racecourse Road. Therefore, at least initially, the new council would operate on a debt free basis.
- 300 The Panel accepts that the use of surplus assets for debt redemption is a reasonable strategy to assume. Any organisation, whether local government or commercial, should

make the most economic use of its assets. The land at Racecourse Road is currently generating little or no income for the Hume City Council. Thus it may make good sense to realise this asset and use the proceeds to eliminate (wholly or partially) a liability which involves significant annual debt servicing expenditures.

- 301 However, the Panel points out that the valuation placed on the land by the SRA is questionable.
- 302 The SRA proposes that the “Shire of Sunbury” would sell 90 to 100 acres of the 120 acres owned at Racecourse Road. It claims the sale would generate between \$7 million and \$8 million. The Panel has since confirmed advice from the Hume City Council’s valuers that the current valuation of all 120 acres of the land is \$6.052m.⁶⁹
- 303 Given the substantial difference between the two estimates of the land’s market price, the Panel believes there is still the potential for a shortfall in the capacity of the “Shire of Sunbury” to retire its apportioned debt (based on Council’s valuation, this shortfall would be in the order of \$2m).
- 304 Despite the variance, the Panel has tentatively accepted the SRA assumption that all debt could be eliminated by selling land because, at the time of establishing the “Shire of Sunbury”:
- a) the value of the land may have increased;
 - b) the amount of debt outstanding may have decreased; and
 - c) the SRA has indicated that there is other council-owned land that may be available for sale.
- 305 Thus the Panel’s model of the “Shire of Sunbury” recurrent annual expenditures excludes all debt servicing costs.
- 306 However, the following should be noted:
- a) the sale would take time to complete. Thus it seems unlikely that there would be any opportunity to reduce debt in the first year of existence of the “Shire of Sunbury”;
 - b) during the Panel’s community consultations, two Sunbury residents expressed vehement opposition to the sale of any of the Racecourse Road land, maintaining that it should be used for recreational purposes. Further community opposition is possible as the land would have to go through a rezoning process; and
 - c) the “Shire of Sunbury” would be left with insignificant “reserve assets”, and probably would have to finance future major infrastructure developments by renewed borrowing.
- 307 Assuming the full debt is able, through whatever strategy, to be retired, the Panel’s analysis still shows an overall deficit for the new “Shire of Sunbury” in the order of \$3.74m, necessitating an increase in total rate revenue of 63%. The SRA has stated that:

*“This debt free situation and the identified efficiencies will eliminate or substantially reduce any upward pressure on the rates of the new Shire of Sunbury”.*⁷⁰

308 In light of the need for a rate increase of 63%, this statement is unsupported.

Staffing/Organisational Structure

309 Considerable discussion about this item occurred during meetings with the SRA, resulting in additional information and a proposed staffing level for the new organisation being provided.

310 In the Panel's discussions with representatives of the SRA they emphasised that starting a new municipality *"gives you the opportunity to look at everything you do."* They maintained that *"Hume could get rid of 50 to 60 staff and not even notice."* (In passing the Panel wondered why this had not been raised at Council level as one of the SRA representatives is a current Hume councillor). The SRA identified the economic development unit, events and recreation organisers and the media unit as *"areas growing in Hume which are not required."*⁷¹

311 The SRA provided the Panel with its proposed organisation structure for the "Shire of Sunbury".⁷² This comprised a CEO, 2 Directors and 107 other equivalent fulltime staff (EFT).

312 At the meeting on 28 September 2000, in response to a written request from the Panel, the SRA further refined that structure, with a CEO, 4 senior managers, and 106.5 other staff. The SRA stressed that a specific structure, and allocation of specific numbers, would be the responsibility of a new CEO and this structure was indicative only. The Panel accepted that qualification.

313 The Panel took a range of information into account in looking at staffing levels, including the location of current services provided by Hume City Council, the payroll as at June 2000, and the requirement for both service delivery and administrative support functions. It was wary of just comparing numbers of other individual councils with the proposed "Shire of Sunbury", because there is such significant variation in the amount of service provision which is provided by in-house Council staff, and which is contracted out.

314 The Panel considered the SRA proposal to be insufficient to manage the proposed new municipality, because:

- a) it could not readily identify other councils of similar size that appeared to be able to operate at that level of staff;⁷³
- b) the proposed senior management structure comprises only 5 positions, and does not appear to have built in a level of service coordination below senior management that might compensate for these low numbers;
- c) the proposed senior management structure does not appear to have taken account of the functional and technical specialisations required to adequately meet management responsibilities (eg. certain mandatory qualifications are required for functions such as finance, engineering, statutory planning and building; and specialist expertise required in areas such as community services, open space and environment, information systems and human resources);
- d) actual salaries relating to "Sunbury" location-specific services at present comprise over \$3.1m. The SRA's total salary estimate is \$5.3m (excluding its initial estimate for senior management)⁷⁴, which would mean only \$2.2m was available for all

other service delivery and administrative staff;

- e) the Panel's estimate of "Sunbury" salary requirements (without any senior management) is close to \$7m;
 - f) the SRA indicative staffing proposal ⁷⁵ appears to completely omit a significant number of existing services:
 - i) the Sunbury Visitors Centre
 - ii) VicRoads Customer Service Centre at Sunbury
 - iii) disability services
 - iv) parks and open space
 - v) school crossing supervisors
 - vi) vacation care and after school care programs
 - vii) community transport
 - viii) preschools
 - ix) physical services planning functions (waste and open space)
 - x) business development/Best Value
 - xi) economic development, communications/media and events (specifically identified by the SRA as not required); and
 - g) the SRA proposal understates the staffing levels for other services (as compared to existing levels for location specific services, or based only on population), in particular :
 - i) aged care/home help
 - ii) leisure services
 - iii) administration.
- 315 The Panel accepted that the SRA staffing proposal was not precise in terms of functions, but believes that these gaps are far too significant to be accommodated within its proposed level of 106.5 EFT.
- 316 The SRA further states in its last correspondence of 2 October 2000, that it believes the figure for 'materials and services' (\$4.2m) to now be overstated, as the leisure component can be accommodated in the staffing figures, and only garbage is seen as being included in the 'contract' or 'services' amount. The Panel's population analysis shows the \$4.2m to be about right for 'services', but notes that this does not currently include leisure, or garbage or any other in-house staffing, all of which is included on the Hume payroll. Therefore the Panel maintains that the SRA staffing estimates remain too low.
- 317 The Panel notes that the SRA believes there will be a reduced requirement for certain staff, eg. economic development and media/communication, and that these functions will be undertaken by other senior staff or the CEO. The Panel noted that many other Councils, particularly smaller rural ones, seem to give economic development an increasingly higher profile, rather than less. It is accepted that industrial development is not likely on a large scale in Sunbury, however economic development can relate to a wide range of economic activity, and the Panel concluded that the retail sector, small business, tourism and viticulture would certainly be of importance to Sunbury.
- 318 While not determining the amount of resources that should be applied to these functions, the Panel believes that the SRA did not give due weight to the roles involved, and that some staff time would continue to be appropriate.

319 The SRA would have to make significant reductions in services to meet its staffing proposal. The SRA maintained that “*efficiencies can be made, and these will be used to improve service levels*”.⁷⁶ However, the Panel believes that the SRA model council would struggle to provide basic services and adequate administration, with the staffing and expenditure levels proposed.

320 The SRA’s latest proposal is for 106.5 EFT and 5 senior management positions. The Panel’s estimate is closer to 140 EFT, plus 10 senior management positions. The Panel calculated the equivalent staffing level in the “Sunbury” component of the previous Shire of Bulla, prior to amalgamation, would have been 173 EFT (excluding the CEO and senior management team of 18 positions).⁷⁷

Revenue and expenditure projections

321 In the Panel’s opinion the SRA has both overstated recurrent revenues and understated recurrent expenditures of Sunbury in its proposed Indicative Broad Budget.⁷⁸

322 The variance between the Panel and the SRA assessment of the “Shire of Sunbury” operating surplus or deficit may be summarised as follows:

	Panel (\$m)	SRA (\$m)
Recurrent revenue	13.07	14.30
Recurrent expenditure	(15.20)	(13.20)
Operating surplus/(deficit)	(2.13)	1.10
Average annual capital works		
- new assets	(0.20)	(0.52)
- replacement assets	(1.69)	(0.00)
Less capital income from sale of plant	0.28	0.28
Total surplus/(deficit)	(3.74)	0.86

TABLE 7 Variance between revenue and expenditure projections

Note:

- a. SRA estimate of recurrent expenditure based on its revised estimate (September 2000)
- b. Estimate of capital works (new assets) based on current inclusions in HCC 5 year program, and on SRA submission.
- c. Estimate of capital works (replacement assets) based on HCC five-year program and on SRA submission.
- d. Assumed that income from sale of plant would apply to the SRA and Panel estimates.

323 The fact that the SRA makes no provision for ongoing asset replacement is a major omission.

Revenue

- 324 The Panel can accept most of the SRA's revenue projections, with the significant exception of government grants.
- 325 The Hume City Council's 2000/01 budget for government grants is \$11.99m (of which about 45% is from the Victoria Grants Commission). As explained in Section 3, in calculating recurrent revenue the Panel assumed that most government grants would be split between the "Balance of Hume" and "Shire of Sunbury" either on the basis of population (78:22) or road length (79:21) depending upon the purpose of the particular grant. The Chairman of the VGC confirmed that this assumption would provide a reasonable basis to assess government grants accruing to the two municipalities, for the purpose of this exercise.
- 326 Using these allocation assumptions the Panel calculated that the "Sunbury" share of total grants would be about \$2.6m. The SRA's assessment is much higher at \$3.7m.
- 327 When asked to justify its estimate, the SRA representatives claimed that "Sunbury" would be entitled to a larger share of the available pool because "*you get a base grant as a separate municipality and then additional*" and that "*rural councils get a greater level of grants than metros*".⁷⁹
- 328 Advice from DOI on the Victoria Grants Commission process and funding is relevant to these claims:
- a) the total grant to "Sunbury" plus "Balance of Hume" would indeed potentially be different to the current Hume City Council grant, due to the fact that the relationships between all Victorian councils would change. However, the total pool of grants available for distribution would not change;
 - b) 'minimum' grants are only relevant to those councils (usually 'wealthier' metro councils) whose grants have been reduced as a result of equalisation factors;
 - c) some factors could favour "Sunbury", such as lower valuations and therefore lower revenue capacity, but could be offset by other factors, such as socioeconomic status;
 - d) the factors that apply to rural councils that tend to increase their level of grants would largely not apply to "Sunbury" (eg. isolation, socioeconomic status, role as a regional centre, roads component); and
 - e) in any case, the VGC would consider the "Shire of Sunbury" as a metropolitan council, as it falls within the ABS Melbourne Statistical Division (and did so even prior to 1995).
- 329 The Panel accepts that the total VGC grant may change, however for the purpose of this exercise believes that the overall impact on revenue would not be significant (certainly not to the extent identified by the SRA), and that population is a reasonable basis to use. It also notes that the VGC is currently reviewing its grants formula completely, and the current basis could not be relied upon into the future.
- 330 In addition, the SRA claims appear only to apply to the VGC grants and not to the many other State and Commonwealth government grants which are received for

specific services (and the expenditure is tied to those services). The VGC grants account for only 45% of all grant income.

- 331 In the Panel's view the SRA calculation for grants is overstated.
- 332 The SRA's revenue projection also includes a \$20 per property charge (described as a "municipal charge") that it estimates returns annual revenue of \$206,480. In projecting the "Sunbury" deficit of \$3.74m, the Panel has assumed no such charge.

Expenditure

- 333 The SRA's revised estimate of Sunbury's recurrent expenditures is \$13.20m (compared with the Panel's estimate of \$15.20m). The Panel believes the SRA estimate to be too low, and does not satisfactorily take into account the fact that :
- a) not all of the Hume City Council's expenditures vary in proportion to population;
 - b) a significant amount of "Shire of Sunbury" expenditure is location specific (26% of all location specific expenditures in Hume, ie. more than on a "population only" basis). Expenditure on council owned facilities in Sunbury totals \$4.52m.

(It was assumed by the Panel, and confirmed with representatives of the SRA , that they did not intend to cease operating any of these services - such as community centres, council buildings, kindergartens and sporting facilities);
 - c) there are important areas where the Panel has identified that two municipalities will cost more to run than the present one (see paragraph 198-207);
 - d) an adequate senior management structure needs to be established; and
 - e) the costs of running two Councils and council business will increase, with the number of councillors overall rising from 8 to a proposed 13.
- 334 It should be noted that the Panel has consistently assumed that services in the "Shire of Sunbury" would be delivered in the same way that the Hume City Council currently delivers its services. With the exception of garbage collection, which it indicated would be contracted from "Hume", the SRA also advised that services would be delivered by council staff (although this is again not consistent with its staffing figures analysed in paragraph 309-315)
- 335 The Panel met with representatives of the SRA to discuss its submissions on three separate occasions. The Panel sought, in particular, to gain an understanding of the methodology and processes that the SRA had used in calculating its expenditure projections.
- 336 It appeared to the Panel that the SRA adopted a "broad brush" approach in making its assessment. (It is noted that the income and expenditure section of its first submission is entitled "Indicative Broad Budget"). The SRA does not appear to have costed the delivery of specific services. It seems that it simply based its total cost assessment by making a broad estimate of generic type expenses likely to be incurred by the new municipality. Most of the estimates seem to have been calculated by taking between 20% and 25% of the relevant Hume City Council's expenses. As noted above, this completely overlooks the fact that "Sunbury" would incur a significant amount of

location specific, semi-variable and fixed expenses.

- 337 The SRA bases many of its assertions on unidentified and unsourced “*discussions with people in other councils*”⁸⁰, but the Panel was unable to obtain any comfort that such sources were informed about the context, authoritative or in a position to provide relevant comparative information.
- 338 The SRA simply claims that a new municipality can be managed on an operational budget, and with a staffing level, that the Panel believes to be dangerously low.
- 339 The Panel is confident that the more systematic and rigorous approach it adopted has taken into account any small savings that might be made. It cannot agree with the SRA that “*there will be huge savings*”⁸¹ or that its budget is still “*on the high side*”⁸².
- 340 The SRA’s expenditure estimate appears to be based on the assumption that the “*Shire of Sunbury*” plus the “*Balance of Hume*” would equal (or be less than) the total expenditures of the Hume City Council. The Panel cannot see how this would ever happen. In the Panel’s view, it would always cost more to operate two councils than to operate one.
- 341 The Panel concludes that it would be impossible to maintain existing services in Sunbury using the SRA’s expenditure estimates.

Capital Works

- 342 In the Panel’s view one of the most disquieting features of the SRA submission is that the income and expenditure estimates do not generate a surplus sufficient to fund a reasonable level of capital expenditures, and that its proposed method of funding any capital works is overly optimistic.
- 343 The SRA representatives did acknowledge that “*this is an issue*”.⁸³ However, they said that the problem could be overcome because:
- a) the Sunbury assets are in good condition:
“*a lot of problems have been addressed. The roads in Sunbury are not that bad. We could get by for quite a while without any (capital) expenditure*”.⁸⁴;
 - b) there would be funds left over from the sale of the Racecourse Road land; and
 - c) it would be able to access government grants for new items:
“*the present government is giving out a lot more grants than previously. We can get funds from the government for the major projects*”.⁸⁵
- 344 The Panel finds that these explanations are not convincing:
- a) as previously noted, funding the renewal of assets is a major challenge for all councils. Neglecting to expend an appropriate amount each year on ‘periodic asset maintenance’ - particularly on the basic infrastructure of roads, drains and buildings – will simply defer that expenditure to a later date and increase the amount required to be spent. Whether Sunbury assets “look” to be in good condition or not, they will require ongoing expenditure. The SRA has made no provision within its budget for ongoing asset replacement and periodic maintenance;

- b) the Panel has already indicated that it has doubts about the level of proceeds that will accrue in fact from the sale of Racecourse Road land (see paragraph 303). However, even on the SRA's most optimistic estimate of \$8m, there would only be \$1.1m remaining after retirement of debt. That amount is inadequate to fund even one year's capital works requirement. After one year, the capital works program would be unsustainable; and
- c) the Panel believes the reliance on government grants to be an unreliable strategy, as there is no assurance of receiving such grants, which are competitive and generally available for specific projects that comply with government priorities. It would primarily relate to new assets, not to ongoing renewal.

Establishment Costs

- 345 The SRA proposes that establishment costs would be funded from the proceeds of sale from a piece of land in Evans Street, Sunbury (which occurred in January 2000) which it states to be \$720,000. It believes that these funds, from a Hume City Council asset, would be appropriate to use to defray the costs of separation as *"the balance of Hume will also benefit by the separation..."*⁸⁶
- 346 The Panel has not attempted to determine whether other priorities for the use of these funds might exist within the Hume City Council, although it notes that the Council has previously resolved (in April 2000) to have a report prepared on funding an extension to the Youth Centre in Sunbury from the sale of this land.⁸⁷
- 347 The SRA provided further information to the Panel regarding its view of the likely costs of undertaking a separation and establishing a new "Shire of Sunbury". These included:
- a) legal costs \$80,000;
 - b) Sunbury council elections \$60,000; and
 - c) employment of independent 'separation coordinator' \$90,000.
- This is a total of \$230,000. The balance of the Evans Street funds would be used to meet other costs, including equipment and communication.⁸⁸
- 348 The Panel took the SRA's proposal to mean that the total establishment costs would be capped at the amount of \$720,000.
- 349 The Panel considers that the SRA estimates are inadequate, and have not considered a number of resource issues that would inevitably arise. While it is impossible to accurately determine the final costs in the absence of actually undertaking a separation, the Panel's estimate of costs (approximately \$2 million) is clearly significantly higher.
- 350 The Panel notes that the SRA also indicated to it in discussion that *"We believe it is a small price to pay for the government to keep its seat, to pay for the establishment costs. The government has an obligation to pay."*⁸⁹ However, the SRA did subsequently state that it thought that was unrealistic and that an alternative source of funding would be required (hence the suggestion of using the proceeds of sale of the Evans St land).
- 351 The Panel comments that, regardless of which section of the Victorian community is to pay, \$2 million or thereabouts is a substantial amount to fund a separation of the two areas.

Neglect of Sunbury and District Infrastructure and Sale of Sunbury Assets

- 352 The SRA submission claims that the Hume City Council has:
- a) neglected Sunbury infrastructure;
(which, the Panel notes, contradicts the SRA contention that the Sunbury assets are in good condition – see paragraph 343);
 - b) provided no new infrastructure of any significance;
 - c) sold \$3.94m worth of assets located in Sunbury with no return to the area; and
 - d) been unable to give assurances that revenue generated from sales would be directed to projects located in Sunbury area.
- 353 Some of these comments were repeated in various other submissions.
- 354 As previously stated, the Hume City Council has a capital works planning process, and a five year indicative works program, which seeks to prioritise necessary infrastructure spending in terms of condition and urgency. These have been approved by the Council. Asset sales are one method by which council generates an operating surplus, which can be used to fund capital works.
- 355 The Panel makes no comment as to whether the level of capital works spending overall is adequate, as that is a question for the Council and its available resources. However, the Panel noted that the program does include periodic asset maintenance across the city, including Sunbury, and specific road and building projects located in the Sunbury area.
- 356 Three of the new infrastructure projects included in the SRA submission as being required over the next 5 years (the youth building extension, extension to gymnasium and Arts Centre Jackson Hill) are also included in the Hume approved capital works program for 2000/01 to 2004/2005.
- 357 The Panel believes that the use of asset sales (from any location) to contribute to the overall development of the municipality is a reasonable position of the current Hume City Council. However, the major issue before the Panel is the future viability of a new “Shire of Sunbury”, not treatment of past asset sales.

Council Structure

- 358 The Panel has dealt with governance issues in Section 2, including the proposed electoral structure and number of councillors. This would ultimately be a question for the Minister to approve in the event that a new municipality was to be created.
- 359 The Panel did consider the additional cost impost that would occur as a result of establishing two separate Councils. These costs have been included in the Panel's expenditure estimates. Attachment 16 shows a breakdown of estimates for:
- a) the cost of Councillors (based on 5 for “Shire of Sunbury” and 8 for “Balance of Hume”);
 - b) the running of Council meetings, Council functions and other associated costs; and

c) the cost of Council elections (total cost amortised over three years to give an annual cost).

360 This shows that the additional cost to the community of operating with two sets of Councillors would be about \$353,000 per annum.

Boundaries (Bulla)

361 The Panel has previously noted (in Section 2) that the question of boundaries at Bulla would be a consideration in the event of a separation.

City of Hume without Sunbury and Region

362 Hume City Council officers advise that, contrary to the view put forward by the SRA, there would not be an advantage to Hume in being able to delay the construction of additional office accommodation. There would remain a shortage, even in the event of separation, which Hume would have to address. The Panel has assumed in its analysis that Hume would be required to lease commercial office space until it resolves its long-term accommodation plans.

363 The SRA also claims that *“With the removal of Sunbury from the metropolitan part of the City of Hume, the City will be able to better focus on its remaining growth centres and address the many issues in respect to the ongoing and rapid development in these areas.”*⁹⁰

364 There is some substance to the comment that Hume has many issues to deal with. However the process of separation would, in itself, cause a major disruption to the operations of the current Hume City Council.

365 However, this is not really the point. There are larger municipalities than Hume in Victoria (and elsewhere), which each need to manage their resources to deal with the range of issues before them. The real issue here is whether it is fair to the ratepayers of Hume, including those in Sunbury, for a separation to occur. The SRA thinks it is. The Panel thinks a separation is financially unsupportable for the “Shire of Sunbury”, though possibly beneficial for the “Balance of Hume”.

366 While the proposition might therefore prove attractive to some residents of Hume City Council, there would be a real financial disadvantage to people living in Sunbury if the “Balance of Hume” decided to cash in on that benefit, on the strength of the SRA’s argument.

Impact on Other Municipalities

367 The Panel notes that the SRA has put forward the proposed boundaries, so that no other municipalities would be affected.

368 Submissions were received raising issues in relation to the inclusion of Diggers Rest (west of the Calder Highway, and currently in the Shire of Melton), or the possible inclusion of Sunbury in the Shire of Macedon Ranges. It is considered likely, if a separation were to be mooted, that other interested parties might make further representations on these issues.

Industrial Relations

- 369 The SRA indicated to the Panel that “*the Minister may have to use his powers to force Hume to contract back to Sunbury*”.⁹¹ Whether this is possible, or desirable, it is likely that there will be industrial issues that will need to be negotiated and resolved with the relevant staff and unions.
- 370 The Panel did request the SRA to consider and respond to the issues raised in the ASU’s submission, which it did.⁹² The Panel understands that the SRA also met with a representative of the ASU to discuss them. In the Panel’s view, the SRA tended to dismiss the ASU issues with little consideration of the industrial and human resource implications. The Panel feels that these are likely to become important issues if a separation were to occur.

SECTION FIVE: LONG TERM VIABILITY OF A NEW MUNICIPALITY

- 371 The Panel's Terms of Reference require it to consider the "*feasibility and viability*" of the Hume City Council becoming two separate municipalities. The Panel took cognisance of the meaning of these terms⁹³, and considered it would be helpful to establish a framework against which it could assess the results of its analysis of the proposed "Shire of Sunbury" and the "Balance of Hume".
- 372 The question the Panel considered was what sort of criteria might need to be met in order for a municipality to be considered sustainable, or viable into the long term. This is particularly important in a case such as the "Shire of Sunbury" under consideration, where a major change to existing arrangements is proposed. Both the present and future residents and ratepayers must be considered, and the municipality must have every likelihood of success into the long-term future, not just for the next few years.
- 373 The Panel was also conscious that both government and community expectations of modern local governments have increased significantly, and a new organisation must be able to deliver effectively on those expectations.
- 374 The following criteria were developed by the Panel as a framework against which to evaluate its analysis and the outcome of its consideration of submissions and other input. Further development of this type of framework may prove useful in considering any future proposals of a similar nature.

Financial

- 375 **A financially healthy municipality should demonstrate:**
- a) the capacity to generate an operating surplus;
 - b) the capacity to generate a consistent and reliable source of funds to finance capital works, in order to:
 - i) meet the costs of replacement and renewal of existing assets
 - ii) provide new assets, where required to meet community needs;
 - c) sufficient budget flexibility to accommodate unforeseen costs;
 - d) the capacity to manage its budget without relying on one-off asset sales;
 - e) a realistic, long term (five to ten year) financial planning focus and strategy;
 - f) a sufficient rate base to give it a degree of autonomy so that it is not reliant on external sources of revenue;⁹⁴
 - g) manageable debt levels and the capacity to service borrowings.

The Panel Assessment

- 376 The “Balance of Hume” would meet all the above criteria due primarily to its large industrial rate base.
- 377 The “Shire of Sunbury”, on the other hand, would struggle to meet most of these criteria, with the exception that it may (at least initially) be debt free. Even so, it is unlikely to generate an operating surplus and it would be unable to fund any capital works. Its rate base would provide only about 45% of its revenue, which would make it more vulnerable to changes in the external environment. Long term financial viability could be guaranteed only if there were a significant rate rise in the first year of operation.

Management

- 378 **In order to function well and provide adequate services, a municipality should:**
- a) have a senior management team and organisational structure capable of supporting the Council in meeting its objectives;
 - b) have an adequate skill base, including appropriate technical and functional skills as well as general management capabilities;
 - c) strive to achieve the most efficient operation possible “within reason”, ie. without making the organisation’s resources too lean to function properly;
 - d) be able to respond to community and government expectations;
 - e) have both a strategic and operational focus on providing services to the community.

The Panel Assessment

- 379 The “Balance of Hume” would retain the same, or similar, senior management and organisational structure as the present Hume City Council. The Panel does not consider that the separation of Sunbury would significantly reduce the management task, however changes in individual personnel might provide the opportunity for some restructuring over time. Any savings made could be used for improved service delivery or other Council priorities. The current structure appears to provide for both operational and strategic issues to be addressed.
- 380 The Panel believes that, in general, there is no reason why an organisation could not be created capable of carrying out the management responsibilities for a “Shire of Sunbury”. (Predicated, of course, on the financial capacity to support the organisation adequately). It may afford a reasonable option for those people attracted to working within a local community or in a smaller organisation. In relation to its senior management team, it may suffer from the disadvantage of “starting from scratch”, and unless it could offer promotional opportunities for people at Hume City Council, it would be likely to suffer from a lack of continuity and local knowledge among its management team. Direct services would be less affected, and a process for transmitting staff and services to the new Council should be able to be negotiated. The Panel believes, however, that there is potential in this process for significant human resource problems, and due attention would need to be given to them.

381 The Panel also believes that the organisational and senior management structure that it has proposed for the “Shire of Sunbury” would be the minimum needed to deliver the current services and manage the breadth and complexity of issues that face local government in meeting the needs of its community. The Panel heeds the Local Government Board’s comment that contemporary local government must have the capacity to do more than simply focus on serving the direct needs of its immediate area, and must look beyond its boundaries and at wider strategic issues.⁹⁵

Governance

382 **A municipality should provide community leadership and good governance,** including:

- a) the capacity to participate in sector- wide interests and issues;
- b) advocating on emerging issues that impact on the well-being of the community;
- c) the capacity to govern for diverse interests, and to hear a range of points of view and take them into consideration in decision-making;
- d) an electoral system that affords general democracy and effective representation;
- e) open and transparent government;
- f) ethical and competitive processes.

The Panel Assessment

383 The “Balance of Hume” would continue to have within it a diversity of population and interests, and would remain sufficiently large to enable it to apply resources to broader social and economic issues. It would largely inherit existing processes and practices from the Hume City Council. The electoral structure would require review, and issues relating to the status of current councillors and the need, or otherwise, for an election of additional councillors prior to the next scheduled election in 2003, could be addressed in that context.

384 In relation to the “Shire of Sunbury”, it is difficult to speculate on the strengths or otherwise of a Council that has not yet been formed and would have to be exposed to an early election process. The Panel has already indicated concerns with the electoral system proposed by the SRA, and believes that the Minister should look at the proposed number of councillors and ward system with regard to maximising the range of interests that might be reflected in a new Council. The Panel did receive sufficient comment regarding the perceived narrow focus of interests in the area for it to be concerned about future governance for all the community.

Services

385 **A municipality should seek to provide high quality services to its community:**

- a) taking into account a wide range of community needs and interests;

- b) being responsive to community feedback;
- c) provided on the basis of need;
- d) taking into account the need to meet legislative and government frameworks, such as Annual Business Plan reporting and the Best Value Framework.

The Panel Assessment

- 386 Hume City Council (which would become the “Balance of Hume”) is effectively established with a wide range of services and corporate planning processes in place, and the Panel has no reason to believe that this would be affected by a separation. There is some community concern with the level of services in some areas, however this Council is not alone in that regard and has a planning and budget process which should be able to deal with the consideration of community feedback and allocation of resources appropriately. The Council has commenced its Best Value planning and has allocated quite significant resources to assist in the community consultation and service review that will be required.
- 387 It has been assumed by the Panel that the “Shire of Sunbury” would continue to provide all the current services and functions of the Hume City Council. It believes that the financial analysis shows that this could only occur at current levels with a significant revenue injection. However, community expectations expressed in input to the Panel would appear to suggest that there would be increasing pressure on a “Sunbury” council to raise current service levels and provide more resources in some areas. Priority setting within available resources would potentially be quite difficult for the new council.
- 388 The “Shire of Sunbury” would need to develop new corporate planning processes, performance reporting and respond to the State government’s Best Value Framework, in an environment of further change. This is not an impediment in itself and could be achieved if the appropriate resources were available.

Strategic Planning Capacity

- 389 **A municipality should be forward thinking and concerned with long term strategic issues**, such as:
- a) the role of economic development and its contribution to the community;
 - b) long term planning for growth and physical infrastructure;
 - c) social needs, community health and well-being; and
 - d) environmental issues.

The Panel Assessment

- 390 The current Hume City Council (which would become the “Balance of Hume”) has a ‘planner/provider’ split inherent in its organisation structure and appears to apply resources to a number of strategic planning areas. The Panel noted in passing a considerable amount of work that has been, or is being, done in developing strategic

frameworks for various policy areas, such as recreation, heritage, information systems, tourism. It has a completed Municipal Strategic Statement and a five-year Capital Works program. It has been successful in attracting industrial and commercial activity that significantly boosts its financial situation and has the capacity to generate employment for its residents and others.

- 391 The Panel considers that issues such as economic development, environmental and strategic planning would need to continue to have a high profile within the “Shire of Sunbury”, possibly even an increased emphasis. As a small shire, and with high community expectations of improved service delivery, “Sunbury” would have more limited resources for longer term planning. A lack of planning capacity would compound the difficulty in delivering services and the ability to respond to identified community needs.

Community Identity and Participation

- 392 **A municipality must develop strategies to engage its community and seek to be inclusive**, based on:

- a) excellent and open communication;
- b) acknowledging and accommodating differing community aspirations; and
- c) recognising the diversity of our nation, and promoting equitable access to services and participation in community life.

The Panel Assessment

- 393 Hume City Council (and its successor, the “Balance of Hume”) has a number of strategies designed to both support and acknowledge the varied and diverse community that it is. Clearly those strategies have not been accepted by all, and a number of Sunbury residents in particular continue to harbour unresolved resentments about their Council. While the Panel does not believe that all these issues are entirely based on fact, they are perceptions and issues that would need to be addressed for the municipality to successfully move forward. The Panel is aware that the MAV and VLGA are also supportive of developing stronger community engagement strategies, and that this is an issue many councils have had to deal with since amalgamation.

The Panel also believes that it will continue to be very difficult for Hume City Council to make significant progress on this issue while the present divisiveness continues.

- 394 It is acknowledged that a new “Shire of Sunbury” is desired by many people who see this as the only means to reflect their community aspirations. There is a strong cohesiveness among Sunbury residents (both proponents and opponents of a separation) about what they like about Sunbury. To the extent that a new council reflected interests and needs of the range of people within the Sunbury community, it can be assumed that a “Shire of Sunbury” should provide the sense of community identity that some desire.

SECTION SIX: CONCLUSIONS

Terms of Reference

395 The Panel has considered all its terms of reference and the range of issues raised relating to them. Its conclusions address a number of important issues that deal with non-financial issues. However, the Panel is strongly of the opinion that the most important consideration is the financial impact that the proposal would have on the residents and ratepayers of Sunbury. The financial issues therefore took precedence in its examination of whether or not the proposition for a separation is viable. The Panel may have considered the non-financial issues more extensively if the potential financial viability had been established. However, it clearly was not.

Non-financial Conclusions

- 396 There is little doubt that many people who live in Sunbury rate their semi-rural lifestyle highly. This translates into an enthusiastic pride in their community, and a strong desire to protect this environment.
- 397 The Panel concludes that the Hume City Council's current Planning Scheme adequately recognises the Sunbury community's values and provides the framework for protection against inappropriate development in the Sunbury area. Providing the Hume City Council enforces the principles incorporated in its own Planning Scheme, the environmental and lifestyle aspirations of the Sunbury residents should be satisfied.
- 398 The Panel does not consider that it is incompatible for an area (such as Sunbury) to be part of a metropolitan municipality yet, to the extent possible, maintain its semi-rural outlook and environmental values.
- 399 The Panel accepts that many people sincerely believe that Sunbury is a unique community. However, the Panel is of the opinion that this, in itself, is not sufficient reason to create a separate "Shire of Sunbury". (The Panel notes that development pressures will remain irrespective of the municipal structure of the Sunbury area).
- 400 The Panel believes that the councillors and staff of Hume City Council need to continue to maintain positive strategies to demonstrate that they are both listening to Sunbury residents and actively working to protect their community values. Further, the Council can play a role in assisting an understanding within the community of the real situation regarding separation.
- 401 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.

Financial Conclusions

- 402 If the current level of rates and services were maintained, the proposed "Shire of Sunbury" would not be financially viable as it would incur an annual operating deficit of about \$2.13m and, after providing for capital works, would incur a total annual deficit of about \$3.74m.

403 The proposed “Shire of Sunbury” would be financially viable only:

- a) if rates were increased by about 63%; and/or
- b) if services were reduced significantly.

404 The impact of a rate increase on a sample of residential properties would be as follows:

“Shire of Sunbury” Residential property worth	Current rate \$	New rate \$	Increase \$
\$100,000	401	652	252
\$150,000	601	979	377
\$200,000	802	1,305	503
\$250,000	1,002	1,631	629

405 Alternatively, a flat rate charge across all classes of property would result in a **\$363** per property charge to make up the deficit.

406 The ratepayers of the “Shire of Sunbury” would be penalised (versus remaining within the Hume City Council) mainly because their new municipality:

- a) would have a negligible commercial and industrial rate base;
- b) would lose its share in the revenues generated from the Melbourne Airport and Note Printing Works;
- c) would lose its share in the revenues generated by the significant industrial rate base located east of Deep Creek;
- d) would have to spread its costs over a much smaller population base;
- e) would have to establish a completely new management and administrative structure, currently provided by the Hume City Council; and
- f) would bear the cost of a separately elected Council and additional councillors.

407 The Panel concludes that, as the current rate base of the “Shire of Sunbury” is essentially residential, it is unlikely that it would ever generate sufficient revenue to support a reasonable level of municipal services on a stand-alone basis.

408 The Panel’s data support the theoretical proposition that it is always more costly for two independent organisations to service a particular area than for one organisation to service the same area.

409 In the event of a disaggregation, the council operating the “Balance of Hume” would benefit financially, mainly because it would retain most of the Hume City Council’s industrial rate base, and because the revenues generated from that rate base would be available to a smaller population. The Panel calculates that the rate revenue from all sources would represent about \$272 per head of population for the “Balance of Hume”, while for the “Shire of Sunbury” the comparable figure would be only \$210 per head. If

one includes the revenue from the Airport and Note Printing Works, the benefit to the population in the “Balance of Hume” would be even more dramatic.

- 410 Contrary to commonly held views expressed to the Panel, Sunbury is not “subsidising Broadmeadows” but the reverse is the case. It is obvious that the revenues derived from properties located east of Deep Creek (ie. in the “Balance of Hume”) subsidise the cost of delivering services to the residents of Sunbury.
- 411 The Panel’s conclusions relating to the Hume City Council support the general principle that a local government community normally benefits from the cross-subsidisation of rate revenue.
- 412 The Panel estimates that the ongoing consequences of splitting the Hume City Council into two municipalities would be to add about \$2.9m in expenditure each year. The additional one-off cost would be about \$2.06m. The Panel is of the opinion that both represent a waste of ratepayers’ money.
- 413 The Panel finds that the operating assumptions used by the SRA are overly optimistic, and could give a grossly misleading view of the viability of a “Shire of Sunbury”.

General Conclusion

- 414 Local government in Victoria has been through significant reform over the past six years. A major result of the reform process has been to establish economies of scale that have led to improved efficiency and cost effectiveness in the delivery of services to the community. The division of the Hume City Council into two municipalities would undo many of the hard-earned benefits generated since 1994.
- 415 While the “Balance of Hume” could potentially be better off after a separation, the Panel believes that the community is best served by the residents and ratepayers of the Hume City Council remaining together as one.
- 416 Consequently the Panel is of the opinion that the proposal to split the Hume City Council into two is ill advised.

RECOMMENDATIONS

The Panel recommends:

- 417 That separation of the Hume City Council into two municipalities not occur, due to the significant detrimental financial impact on the residents and ratepayers of the proposed “Shire of Sunbury” and the high costs, both immediate and continuing, of establishing and maintaining two new entities.**
- 418 That the appropriate facts with regard to the financial impacts be made available to residents of the Hume City Council in a way that maximises public understanding of the cost issues involved.**
- 419 That the Hume City Council be encouraged to further develop strategies that recognise and respond to the strength of pride and identity obviously felt by residents of Sunbury and district.**

FOOTNOTES

FOOTNOTES:

- ¹ Sunbury Residents Association Submission to the Minister for Local Government; 25 October 1999
- ² Middle and Outer Melbourne Review Interim Report; Local Government Board; October 1994, p.82
- ³ Middle and Outer Melbourne Review Final Report; Local Government Board; November 1994; p.11
- ⁴ *ibid*; p.11
- ⁵ *op cit*; Sunbury Residents Association October 1999
- ⁶ *op cit*; Local Government Board Interim Report; p.1
- ⁷ *ibid*; p.4
- ⁸ Sunbury Residents Association Submission to the Local Government (*Hume City Council*) Review Panel, August 2000; p.3-4.
- ⁹ Submission to the Local Government (*Hume City Council*) Review Panel; S34
- ¹⁰ Submission; S13
- ¹¹ Submission; S8
- ¹² Submission; S4
- ¹³ Discussion by Panel members with MAV representatives, 28 September 2000
- ¹⁴ The Panel's principal aim was to measure and then compare the operating efficiency of various councils. As neither depreciation nor debt servicing expenditure has any impact on operating efficiency, both factors were eliminated from the measurement process. Also, the Panel has assumed that the "Shire of Sunbury" share of debt will be retired and therefore will not incur any debt servicing expenditures.
- ¹⁵ Report to Hume City Council Ordinary Council Meeting 10 July 2000 – The Return of the General Valuation 2000.
- ¹⁶ Submission; S3
- ¹⁷ "The Restructure of Local Government in Victoria: Principles and Programme"; Local Government Commission; Morris, Stuart; 1986
- ¹⁸ *op cit*; Local Government Board Final Report; p.7
- ¹⁹ "Local Government in Tasmania: Reform and Restructuring"; in Australian Journal of Public Administration 59(3); Haward, M and Zwart, I; September 2000; p.37
- ²⁰ *ibid*; p.37
- ²¹ Submission; S13
- ²² Submission; S12
- ²³ Submission; S3
- ²⁴ Municipal Strategic Statement; Hume City Council; 1997; p. 20
- ²⁵ Corporate Plan 2000-2003; Hume City Council; p.14
- ²⁶ Submission; S14
- ²⁷ Submission; S13
- ²⁸ Submission; S12
- ²⁹ Submission; S9
- ³⁰ Submission; S6
- ³¹ Submission; S4
- ³² Submission; S15
- ³³ Community satisfaction rating is published in the Hume City Council Annual Report 1998/99, and compared with the range of scores shown in Department of Infrastructure, Local Government Indicators Draft Results for 1997/98
- ³⁴ Figures for Equivalent Full Time staff (EFT), as at 15 December 1994 and end June 2000, provided by Hume City Council
- ³⁵ Sunbury Residents Association - Requested Additional Information; 14 September 2000. Population figure is that estimated by the SRA, which is a little higher than that used by the Panel. It is immaterial in relation to this staffing ratio.
- ³⁶ *op cit*; Sunbury Residents Association; October 1999
- ³⁷ *op cit*; Morris, S; p.54
- ³⁸ *op cit*; Sunbury Residents Association Submission August 2000; p. 5
- ³⁹ *op cit*; Morris, S.; p. 54
- ⁴⁰ *op cit*; Sunbury Residents Association Submission August 2000, p 14
- ⁴¹ Submission; S12

⁴² Submission; S6

⁴³ op cit; Sunbury Residents Association Submission August 2000; page14.

⁴⁴ Australian Services Union Submission to the Local Government (*Hume City Council*) Review Panel, August 2000; p. 6

⁴⁵ Sunbury Residents Association – Requested Additional Information; September 2000; p.3

⁴⁶ ibid; p.1

⁴⁷ ibid; p.2

⁴⁸ ibid; p.5 and p.9

⁴⁹ op cit; Morris, S; p.55

⁵⁰ Submission; S3

⁵¹ Hume City Council – Report on Results of Due Diligence Audit as at 14 December 1994; Victorian Auditor-General's Office; July 1995; p.22

⁵² Submission; S9

⁵³ Submission; S15

⁵⁴ These statistics are taken from the Hume City Council Social Profile, June 1999; and a Social Profile of Selected Areas Within Hume City, prepared for the Local Government (*Hume City Council*) Review Panel by Hume City Council officers in September 2000. Both are based on ABS 1996 Census data.

⁵⁵ op cit; Sunbury Residents Association Submission August 2000; p.4

⁵⁶ Submission; S25

⁵⁷ Submission; S32

⁵⁸ Submission; S6

⁵⁹ One, Submission S37, did make comment about the detail used as the base for some assumptions, eg. the actual population numbers, and these have been taken into account in the course of the report. The Sunbury Residents Association made comment on the specific application of two assumptions, which have been dealt with in discussion of the SRA submission.

⁶⁰ For basis of population estimates, refer to Attachment 3.

⁶¹ "Facing the Renewal Challenge: Victorian Local Government Infrastructure Study"; Department of Infrastructure, Local Government Branch; report prepared by AMQ International, Skilmar Systems Pty Ltd, & Jeff Roorda and Associates; December 1998; p.7

⁶² Local Government Indicators Draft Results for 1997/98; Department of Infrastructure; 1998

⁶³ op cit; Sunbury Residents Association Submission, August 2000; p 10-13

Requested Additional Information supplied by the SRA 14 September 2000

Additional Information tabled by the SRA at a meeting with the Panel 28 September 2000

Correspondence from the SRA to the Panel 2 October 2000

⁶⁴ op cit; Sunbury Residents Association Submission August 2000; p 10

⁶⁵ ibid; p 10

⁶⁶ ibid; p.10

⁶⁷ ibid; p.10

⁶⁸ Information provided to the Review Panel in correspondence from the Municipal Association of Victoria 3 October 2000

⁶⁹ Hume City Council General Revaluation as at 1 January 2000

⁷⁰ op cit; Sunbury Residents Association Submission August 2000; p.12

⁷¹ Comments made to the Panel in meeting with SRA representatives, 31 August 2000

⁷² op cit; Sunbury Residents Association - Requested Additional Information September 2000

⁷³ One (Moorabool) states in its 1998/99 Annual Report that it has a staffing level of around 111 EFT. However, it also has a much larger materials and contracts expenditure (\$6m) than is proposed by the SRA, and its total materials and employee costs is also higher than that proposed for "Sunbury". The MAV benchmarking information shows that Moorabool's expenditure per head is \$561 compared to the SRA estimate of \$440. The Panel therefore did not consider it could be used as a benchmark to assess the SRA proposed staffing as adequate.

⁷⁴ op cit; Sunbury Residents Association - Requested Additional Information, p.12

⁷⁵ op cit; Sunbury Residents Association Additional Information 28 September 2000 and Correspondence of 2 October 2000

⁷⁶ Panel discussion with SRA 31 August 2000

⁷⁷ This calculation based on the "Shire of Sunbury" population being 50% of population of Shire of Bulla (ABS data 1996), and EFT information as at 15 December 1994, provided by Hume City Council

⁷⁸ Indicative Broad Budget included in SRA Submission August 2000, at Attachment 4, and subsequently revised in discussion and further correspondence, particularly in relation to salary costs.

⁷⁹ Panel discussion with SRA representatives, 28 September 2000

⁸⁰ Reference made a number of times by SRA representatives in discussions with the Panel, and in correspondence from the SRA, 2 October 2000

⁸¹ Panel discussion with SRA representatives, 31 August 2000

⁸² Correspondence from SRA to Panel, 2 October 2000

⁸³ Panel discussion with SRA representatives, 28 September 2000

⁸⁴ *ibid*

⁸⁵ *ibid*

⁸⁶ Correspondence from SRA to Panel, 2 October 2000

⁸⁷ Hume City Council minutes of the Ordinary Meeting of Council, 10 April 2000

⁸⁸ *op cit*; SRA Additional Information, p.11

⁸⁹ Panel discussion with SRA representatives, 31 August 2000

⁹⁰ *op cit*; SRA Submission August 2000, p.14

⁹¹ Panel discussion with SRA representatives 31 August 2000

⁹² *op cit*; SRA - Requested Additional Information September 2000

⁹³ Definitions from Webster's Dictionary:

Feasible (1) capable of being done, executed or effected; possible of realisation
(2) capable of being managed, utilised or dealt with successfully

Viable (1) capable of living
(2) capable of growing or developing
(3) capable of being put into practice
(4) capable of existence and development as a relatively independent social, economic or political unit

⁹⁴ Report on the Prospective Financial Advantages of Restructuring Local Government in Victoria; Victoria Grants Commission; 1985; p .1

The Victoria Grants Commission states that *“There is a strong relationship between population and the proportion of rate revenue to total revenue, indicating the heavy dependence of municipalities with small populations on external sources of revenue.*

An accepted measure of local government autonomy is the proportion of rate revenue to total revenue; levels of less than 50% indicate a low level of autonomy.”

⁹⁵ *op cit*; Local Government Board Interim Report; p.3-5