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Understanding Outer-Urban Governance: A case study of local
government administration in Melbourne's north-west

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Abstract

Context

Building up over several decades, local government reform has been repeatedly investigated by successive Victorian state governments. Municipal boundaries had remained largely unchanged since the 1880s. Following the election of the neo-liberal Kennett Government in 1993, a dramatic reform program was initiated through the establishment of the Local Government Board and amalgamation of 210 councils into 78. This process was combined with the removal of democratically elected councils, appointment of Commissioners, introduction of Compulsory Competitive Tendering, a 20 percent rate reduction and the introduction of a permanent rate cap.

Purpose of this research and methodology

The research aims to provide an understanding of local governance in an outer metropolitan area of Melbourne Through the examination of the policy framework that has established and maintained community governance in Victoria by the State Government from the period of local government amalgamations in 1994 to the present day and the use of a case study, Hume City Council, the thesis has descriptive and analytical elements drawing on empirical inquiry using case study methodology. The case study method has been chosen because it is most suitable for discovering how the community participants perceive their level of governance and their desires for future governance structures.

Major conclusions reached

Since the dramatic reforms of local government in Victoria, there have only been two governance reviews; at Hume City Council in 2000 and at Delatite Shire in 2002. In addition, minor boundary realignments were made to the Cities of Melbourne and Moonee Valley in 2007. These are the only attempts at a review of the structure of local

government in Victoria since the Kennett Government reforms. This thesis reaches the conclusion that the concept of wicked problems is applicable to the management of the case study and other complex problems created as a result of amalgamation. The wicked problem context of this thesis cites decision making as the major focus. Through decisions about authority, governance, identity and community consultation the key concept of trust is questioned which has led to the inherent unsatisfactory resolution of the selected local government wicked problems.

Master by Research Declaration

I, Lawrence Robert Seyers, declare that the Master by Research thesis entitled *Understanding Outer-Urban Governance: A case study of local government administration in Melbourne's north-west* is no more than 60,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

Signature

Date

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Chapter 1: Introduction

Local government in Victoria has undergone unprecedented change. The research aims to provide an understanding of local governance in an outer-metropolitan area of Melbourne following the amalgamation of local government areas in 1994. This is achieved by examining the key issues in regard to local government administration, with particular reference to a case study of outer suburban Sunbury in Melbourne's north-west. The research questions that drive this study are:

- How effective has the rationale behind local government amalgamations been in delivering benefits in this outer suburban context,

- How could cost effective governance and administrative principles be applied to the case study, and

- To what extent has this amalgamation created an environment in which key concepts of trust, identity, governance and government have prospered?

Current government policy in relation to the governance of Sunbury is perceived by the community to be out-of-date (it was last examined in 2000) and policy makers are unwilling to undertake a further review. This research provides a significant contribution to knowledge on aspects local government amalgamations and arguments presented throughout the community for continuous refinement of these administrative structures.

The research provides a critical review of the impact of amalgamation and associated policies such as managerialism, disseminates research findings to stimulate debate and discussion in the community regarding how State Government policies and institutions provide effective governance to local communities in a post-amalgamation environment, and tests the applicability of wicked problems in a local government context.

This thesis provides an up-to-date consolidation and analysis of information and analytical resources regarding the administration of local government in an outer-suburban/rural interface area of Melbourne. It provides a catalyst for discussion in the community and may give rise to further work by the State Government in the area of

local governance. Current debate has stalled, with policy makers referring to outdated reports that have been superseded by new information and other government policies.

While most municipalities grudgingly accepted the new centrally-determined boundaries that were created as a result of the Kennett governments amalgamations, one municipality in Melbourne's north-west found it difficult to accept. Hume City Council saw ongoing resistance to the amalgamation from its north-western community of Sunbury, which was opposed to the amalgamation with the eastern side of the municipality, that included suburbs such as Broadmeadows and the Hume Growth corridor (the common geographic description of the Craigieburn, Somerton, Roxburgh Park areas).

The approach used by the Local Government Board was less problematic for inner metropolitan councils. Here, existing boundaries between local governments were somewhat arbitrary and populations fluid and less tied to specific councils, rather than specific localities. Rural and regional councils tend to fall between natural population centres often focused on major rural cities or towns. This made regional amalgamation a question of determining which population centres would be brought together, where 'natural' communities of interest and interaction occurred, and how larger population centres would interact with smaller towns that had been brought into their domain. However as discussed in the next chapter, Sunbury is neither a regional amalgam of communities, nor is it an urban extension of the metropolitan area.

There appear to be three types of issues involved in this debate over de-amalgamation:

- ***Planning issues*** such as communities of interest, transport and services, socio-demographic factors, effective representation, community services, cost-effective administrative structures and community satisfaction with local governance,

- ***Managerial issues*** such as rational efficient administration, and

- ***Political issues*** involving the interests of political parties and individual state and local government politicians.

The instability that comes from the interaction of these types of issues leads to the intractable nature of some of these issues, which makes them suitable for analysis as wicked problems that may be managed but not ultimately resolved.

Though local in context, through the Hume City Council case study the thesis describes and analyses the wider policy framework and decision making processes concerning local government amalgamation. By exploring the ideas conceptually the research has broader implications for local government. The conceptual framework concerns the interaction of political issues, managerial issues and planning issues, including communities of interest, de-amalgamation, effective representation, community services, cost-effective administrative structures, and community satisfaction with local governance.

The thesis uses a range of methodologies, starting with the contrasting case studies of Hume City Council and Delatite and then makes use of literature and secondary sources which are later combined with interviews and stakeholders perceptions and understandings. This thesis has seven chapters. Chapter 1 provides background to the research and establishes the foundation on why the study was completed. A description of the case study and the research questions is provided to allow the reader to understand the rationale for the research. Chapter 2 describes the relevant literature and introduces the key theoretical concepts as subheadings. The literature review investigates the context of local government reforms in Victoria and aspects such as the introduction of managerialism, which has encouraged local government to embrace private sector business approaches and pursue more efficient and effective ways of doing things. The literature review looks at the concepts of networks, governance, trust, consultation and identity, concluding with a review of wicked problems and how to effectively handle such problems in a collaborative manner. Chapter 3 describes the case study, Hume City Council, which sets the story. The Hume City Council case study is compared to the only example in Victoria to have successfully de-amalgamated since the 1900s reforms; Delatite Shire. Chapter 4 presents the research methodology used in this thesis and describes the process used to collect data. This chapter also presents the data collected – secondary and interpretative based.

The secondary source data – descriptive narrative – includes data collected from secondary sources such as Australian Bureau of Statistics and Department of Planning and Community Development. The interviews form the basis for the interpretative narrative. Chapter 5 pulls together the literature review, quantitative results and data to analytically argue the thesis contention. Chapter 6 concludes the thesis with a summary of findings, implications of research and the contribution to knowledge.

Chapter 2: Literature Review

2.1 Introduction

This chapter investigates the process of local government reform in Victoria and provides evidence that amalgamation was only one piece of the reform puzzle. Other aspects of reform, which may have had more far reaching implications for local governance and administration include the introduction of Compulsory Competitive Tendering, rate reductions, permanent rate caps and private sector themed new public management. These themes are described in the first half of this chapter.

The second half of this chapter introduces several concepts that are applied in the analysis. It describes the concepts of networks, aspects of governance and its relationship to government and the critical requirement for a process that builds trust through meaningful community consultation. The chapter then describes the identity concepts that are so common in local government literature including communities of interest. It concludes by describing the phenomenon of wicked problems, and how it applies to often intractable problems in local government administration.

2.2 Local Government in Victoria

Building up over several decades, local government reform had been repeatedly investigated by various Victorian governments. Municipal boundaries had remained largely unchanged since the 1880s. There was growing evidence to suggest local government reform was unavoidable, starting with the 1962 Mohr Commission, proceeding to the 1972 Voumard Committee, the Local Government Advisory Board of 1969-1974, the 1979 Bains Report and concluding with the 1985 Victorian Grants Commission report. All inquiries expressed doubts about the capacity of local government to cope with expectations of population growth and suggested boundary reforms to achieve increased efficiency and effectiveness. The Bains Report identified

that municipal boundaries required restructuring for the following reasons: a number of municipalities were too small to be viable, many boundaries cut across communities of common interest, and the boundaries of some councils did not coincide with natural land forms (Galligan, 1998).

Dunstan (1998) was highly critical of Victoria's system of local government, describing it as structurally flawed and overdue for reform. He claimed there was a 'depressing monotony' of reports that would surface with the same issues again and again, yet curiously the popular discourse had remained defensive of the status quo (1998, p.3).

The 1985 Victorian Grants Commission's report on *The Prospective Financial Advantages of Restructuring Local Government in Victoria* produced a detailed review of the income and expenditure characteristics of all Victorian municipalities and outlined parameters to be used as a basis for a more efficient local government structure. As noted by the Institute of Public Affairs 'in every case the State Government of the day judged the task of implementing reform too difficult politically' (1993, p. i). As with all proposals for change, there was considerable resistance from groups whose interest is in maintaining the status quo. Indeed in August 1986, Jeff Kennett, then Leader of the Opposition, attended a Local Government Commission hearing and addressed a crowd of protesters saying 'we in the Liberal Party will ensure that any forced amalgamations will be stopped' (Morris 1998, p. 31). This was reiterated by the Shadow Minister for Local Government, Robin Cooper, who said 'under no circumstances should any municipality be put in the hands of persons who have not been democratically elected by the people under the provisions of the Local Government Act' (Morris 1998, p. 50).

In 1993, the newly elected Kennett government established the Local Government Board through the *Local Government (General Amendment) Act 1993*, with powers to advise government on local government issues and conduct reviews (see Table 1). Unlike previous government inquiries this process was more significant that simply shifting lines on a map, the Minister noted in the Second Reading speech that the development of policy around the introduction of Compulsory Competitive Tendering, Freedom of

Information and financial reporting arrangements were equally important as boundary changes (Hallam 1994).

Functions of the Local Government Board:
- to advise the Minister on improving the efficiency and effectiveness of local government in Victoria;
- to advise the Minister on local government financial issues;
- to conduct reviews and report to the Minister on proposals for boundary changes; and
- to advise the Minister on any other matters referred to it by the Minister.

Table 1: Functions of the Local Government Board
(Victorian Government 1993, Local Government General Amendment Act)

The Local Government Board could, at its discretion, have regard to all or any of the following considerations:

- sociological, demographic, topographic, economic and employment patterns and factors in the area covered by the review;

- community or diversity of interest in the area, including community identity, expectation and involvement;

- the impact of any proposal on the accessibility to and the effective delivery of local government services in the area;

- the financial impact of the proposal on the area; and

- any other matters that the board may have considered relevant.

(Victorian Government 1993, Section 2201, Local Government General Amendment Act)

With the powers and functions prescribed in the Local Government General Amendment Act the process for each Local Government Board review commenced with advertising a Terms of Reference and the receipt of written submissions. The Board then prepared an Interim Report for each region throughout Victoria outlining draft recommendations for restructure (Burke & Walsh 1998, p.74). Further public input was received in relation to the Board's interim recommendations. Following consultation with each council and consideration of final submissions, the Board submitted its final recommendations for municipal restructure to the Minister for Local Government. Nineteen reports were completed which are shown in Table 2 overleaf.

Reports completed by the Local Government Board:
- *Ballarat Area Interim Report*, December 1993;
- *Ballarat Area Review Final Report*, February 1994;
- *Bendigo Sub-Region Review Interim Report*, December 1993;
- *Bendigo Sub-Region Review Final Report*, February 1994;
- *Gippsland Area Review Interim Report*, October 1994;
- *Gippsland Area Review Final Report*, November 1994;
- *Inner Melbourne Review Interim Report*, April 1994;
- *Inner Melbourne Review Final Report*, June 1994;
- *Inner Melbourne Review Appendices*, April 1994;
- *Middle and Outer Melbourne Review Interim Report*, October 1994;
- *Middle and Outer Melbourne Review Final Report*, November 1994;
- *Middle and Outer Melbourne Review Appendices*, October 1994;
- *North Central Victoria Review Interim Report*, November 1994;
- *North East Victoria Review Interim Report*, September 1994;
- *North East Victoria Review Final Report*, October 1994;
- *North West Victoria Review Interim Report*, November 1994;
- *North West Victoria Review Final Report*, December 1994;
- *South West Victoria Review Interim Report*, June 1994; and
- *South West Victoria Review Final Report*, August 1994.

Table 2: Reports completed by the Local Government Board
(Economic Development Committee 2002, p.256)

The Local Government Board noted:

> *The creation of fewer, larger municipalities will increase the capacity of local government to serve the reference area's many communities by providing a more flexible resource base. It will reinforce local government's role as an equal partner with the State and the Commonwealth in the region's public administration. It will give local government a bigger say in economic development and the management of urban assets that are vital to the future wellbeing of the reference area and of Victoria itself, and it will do these things without diminishing the quality of democratic accountability or representation* (Local Government Board 1994, April p.87).

The Board further noted:

> *If councils are to do justice to their future responsibilities, they need to be larger and better resourced than they are at present. Some smaller councils lack the capacity to manage their present responsibilities in areas like planning, tourism, economic development, community services, native vegetation protection, pest control and drainage. Restructuring will not only increase the size of municipal units, it will also enhance local government services in each area, produce 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; and*
> - *focus more clearly on customer needs and expectations* (Local Government Board 1994, June p.10).

These findings gave the Kennett Government a mandate to take drastic amalgamation action, however as Aulich noted, the Kennett Government did not come to power with a clear and definitive program of local government reform, and there was no widespread or general movement pressing for such reforms (1999, p. 17). Despite a lack of political mandate, the Local Government Board recommended the significant differences in area and population between councils needed to be addressed. There were 72 councils with less than 5,000 residents and a further 50 had between 5,000 and 10,000. Only 25 councils had populations of more than 50,000 and only five had more than 100,000. The largest council had about 126,000 residents (Victorian Government 1994, p.25).

Following the release of the interim and final reports, all existing Councillors were removed and government appointment Commissioners selected to oversee the amalgamations recommended by the Local Government Board. Commissioners were appointed to administer the amalgamation of 210 councils into 78. This process was completed by 1995. For a period of eighteen months unelected Commissioners managed the complex task of administering newly merged councils and by May 1997 all councils had held elections and returned democratically elected Councillors (Hallam 1998).

The pace and scale of reform to local government surprised many. Described by Victorian Parliament's Economic Development Committee (2002, p.95) as 'one of the most significant structural changes in the history of Victoria' the scale of amalgamation was unprecedented in Australian history. The Minister for Local Government (1992-96), Roger Hallam, described it as 'the most extensive public sector reorganisation ever undertaken in Australia' (1995a, p.1). The administrators had to manage the difficult merger of political and administrative systems and cultures. Council service delivery underwent dramatic change with severe rate cuts and a move to new public management principles of contract management and privatisation of council functions.

Heavily influenced by a submission by the Institute of Public Affairs, *Project Victoria*, the Kennett government reform agenda included boundary reform and amalgamation. However, the introduction of private sector management practices, increased role of private sector in public services such as Compulsory Competitive Tendering and a dramatic rate reduction and permanent capping was equally significant. Yehudi Blacher, a career public servant and Director of Local Government (1991-96) saw the irony that the reform of local government was ultimately undertaken by a government which when in opposition, had vehemently opposed a more modest set of reforms (1998, p. 115).

Project Victoria was originated by the Institute of Public Affairs to address major budgetary and economic reform agendas, without increasing the burden of taxation with a view of re-assessing the role of government in Victoria. Its influential document, *Victoria – An Agenda for Change* was published in May 1991 in conjunction with right-wing

think-tank The Tasman Institute, clearly focusing on addressing the $27 billion government debt through public service cuts and privatisation. This 'first wave' of ideological papers was followed by the 'second wave' detailing inefficiencies in particular areas of the Victorian economy. This included papers on transport, health and local government. Recognising that local government 'is an important instrument for the expression of local aspirations, concerns and priorities' the report sought to address the indecisiveness of former government led inquiries into local government reform (Institute of Public Affairs 1993, p. i).

The reforms that were introduced even exceeded the expectations of the right-wing think tanks such as the Institute of Public Affairs which had lobbied for a reduction in council numbers to 82 (government reduced the number to 78), suggested a rate cap (government mandated a rate cap) and suggested contracting out rather than resource sharing (government introduced Compulsory Competitive Tendering).

Champions of these changes cast themselves as bold reformers. Quoting Machiavelli, Leonie Burke and Greg Walsh (both members of the Local Government Board) claimed 'there is nothing more difficult and dangerous, or more doubtful of success, than an attempt to introduce a new order in any state' (Burke & Walsh 1998, p.71). Hallam quoted Otto von Bismark when recalling his experience during the tumultuous reform period 'politics is the art of the possible' (Hallam 1998, p. 99).

Whilst Aulich notes local government was empowered under the *Victorian Local Government Act* to 'do all things necessary or convenient to be done for or in connection with the performance of its functions and to enable it to achieve its purposes and objectives' (1999, p. 14), Marshall suggests this reform process was a forceful top-down approach (1998).

There were obvious areas where local government had powers stripped away, particularly in the introduction of Compulsory Competitive Tendering and the introduction of corporate management strategies. Compulsory Competitive Tendering was implemented

using a percentage of budget approach, whereby councils were required to submit an increasing percentage of their annual budget to competitive tendering. The rate commenced at 20 per cent in the 1994-95 financial year and was increased to 30 per cent in 1995-96 and moved to the target of 50 per cent of total expenditure by 1996-97 (Hunt 1998, p.65). Within these percentage targets, councils were permitted to determine for themselves which services should or should not be subjected to competitive tendering.

Rob Spence, Chief Executive Officer, Municipal Association of Victoria, suggested some councils took Compulsory Competitive Tendering further than it needed to be taken and 'were quite brutal in the way they ran it, and the impact of that was quite destructive' (Economic Development Committee 2002, p. 110). Alan Hunt, Victoria's longest serving Minister for Local Government and Planning, claimed Compulsory Competitive Tendering was 'both harsh and unnecessary and unduly constrained the autonomy of councils' (Hunt 1998, p.65). The Economic Development Committee found while there were some concerns associated with the implementation of Compulsory Competitive Tendering a number of benefits have also arisen including:

- an increased understanding of services and projects;
- increased likelihood of work objectives, budgets and timeframes being achieved;
- improved documentation of work processes; and
- a broadening of staff skills and responsibilities (2002, p. 112).

Funding requirements were also imposed in October 1994 through a freeze on residential rates and other charges. This was compounded by a reduction in council rates by 20 per cent and a cap on future rate increases. In 1996, three years after these reforms, the state government claimed that the combined effect of these measures had resulted in savings of $323 million in municipal expenditure and rate reductions for 88 percent of the state's residents (Victorian Government 1996).

Whilst there was an element of consultation through the Local Government Board, it was clear that amalgamations across Victoria were introduced in such a rapid manner that questions that relate directly to the concepts of trust, identity, governance and

government were ignored. Kiss claimed 'the pace of implementation and unrelenting pursuit of an agenda drawn up at least in part by a think-tank operating on behalf of business interests (*Project Victoria*), without public debate, guaranteed that there would be little resistance' (1999, p. 115). Kiss continued 'community discussion was virtually non-existent and council submissions were cobbled together as arguments intended to conform to the very general guidelines issued by the Local Government Board' (1999, p. 115).

In 2002 the Victorian Economic Development Committee noted that:

> *During times of such unprecedented reform, it was reported that many councils, their employees and their communities experienced initial feelings of turmoil following council amalgamations. Today, however, they are much more likely to recognise the positive outcomes of the process* (2002, p. 103).

The Bracks Government was elected in 1999 and immediately set about abolishing Compulsory Competitive Tendering. In its place, the Government introduced the *Local Government Best Value Principles Act*, released in July 2000, a framework outlining the Best Value Principles for councils:

- all services provided by a council must meet specified quality and cost standards;

- all services provided by a council must be responsive to the needs of its community;

- each service provided by a council must be accessible to those members of the community for whom the service is intended;

- a council must achieve continuous improvement in the provision of services for its community;

- a council must develop a program of regular consultation with its community in relation to the services it provides; and

- a council must report regularly to its community on its achievements in relation to the principles set out above (Economic Development Committee 2002, p. 112).

The Victorian reforms were based a one-size fits all philosophy was appropriate for the new Councils. Whilst it is generally accepted that the Victorian reforms of local

government were modelled on those introduced in the United Kingdom by the Thatcher and Major governments (Kiss 1996, p.114), one difference that was tolerated (and indeed promoted) in the United Kingdom was variability within institutional design. Such variability is a way of building capacity for innovation and adaptation to different environments. Robert Goodin (1996, p. 42) argues that:

> *We ought to encourage experimentation with different structures in different places; and we ought, furthermore, to encourage reflection upon the lessons from elsewhere and a willingness to borrow those lessons where appropriate.*

In the scholarly literature on local governance, it is widely acknowledged that democratic local government can be reduced to three main functions: administration, representation and participation (Jones, 1989). In general, local government restructuring in Victoria has focused overwhelmingly on the administrative dimension. Policy makers have sought to get 'value for money' by improving efficiencies – largely through the 'bigger is better' belief. Dollery and Johnstone argue this emphasis is misplaced and instead flat management structures associated with smaller councils bring decision makers into direct contact with those affected by their decisions and thus reduce the propensity for large bureaucracies to 'depersonalise' policy outcomes (2005). Aulich similarly argues large municipal units are less responsive to community needs and aspirations than smaller ones (1993).

Rouse and Putterill (2005) evaluated the effectiveness of a change in public policy which was designed to consolidate small-sized units of government to lead to an improvement in productivity. Using road construction and maintenance as their case study they sought to determine whether amalgamation was justifiable on the grounds of reducing or eliminating diseconomies associated with increasing returns to scale. Rouse and Putterill concluded that:

> *The results of this study of highway maintenance shows no evidence that amalgamation was justified in terms of diseconomies arising from smallness of local government agencies* (2005, p. 440).

A 1975 United Nations review concluded that relatively larger units of local government were endowed with more productive resources; better able to employ qualified professional staff; more readily able to establish their presence; better able to attract popular support; less vulnerable to central government intervention; better placed to co-operate productively with central government; and able to free Councillors from the drudgery of supervising administration in detail, thus allowing them to concentrate on general policy making and monitoring (Bush 1990, p. 237).

These 'benefits' can be associated with what Mouritzen (1989) describes as *the Reform Theory*. This theory states that citizens' satisfaction with public services will increase with increasing size. However as Rouse and Putterill (2005) suggest, economies of scale may be present in some capital-intensive programs (like harbours, waste disposal, sewage) they are typically not present in labour intensive programs.

The decision on the 'right' size of the unit of provision is to be distinguished from the decision on the optimal size of the unit of production (Mouritzen 1989, p. 663). He stresses that the smaller the size of the organisation, the more homogenous is the population and the better is the representation of local preferences. A closer relationship between representatives and their constituency makes for effective information flows and consequently greater efficiency. This theory argues that citizens' satisfaction will decrease with increasing size and that optimum size depends on more than just technical managerial production.

It is generally accepted that the Victorian reforms were modelled on those implemented by the Thatcher and Major governments in the United Kingdom (Kiss 1996, p.114). The reforms were also influenced by the New Zealand reforms of 1989 (Anderson & Norgrove 1997). Rouse and Putterill (2005) concluded that although significant diseconomies of scale were found for the pre-amalgamation period in New Zealand, the belief that diseconomies were attributable solely to fragmentation is not supported for the period 1982–1989. In fact, the opposite situation appears to prevail where diseconomies

derive mainly from decreasing returns to scale leading to the conclusion that the technical efficiency frontier was non-increasing returns to scale.

Amalgamation of small councils into larger authorities may have enabled them to reach a critical mass for achieving increased professionalism, improved network management and an effective response to across the board changes such as outsourcing, competitive price tendering and increased accountability requirements, Rouse and Putterill (2005) found there is no evidence to support the claim that amalgamation contributed to this.

Under Victoria's current municipal structure, Councillors report to both the state government and their local community as corporate board members (Kloot 2001). The rate-payers are the equivalent to shareholders in a company and they hold their Councillors accountable through the election box (O'Toole 2003). In terms of the representational structures allowed under the Act, 14 of the 78 councils are unsubdivided and 64 have a combination of wards. Each council's representational structure must be approved by the Minister for Local Government. The councils themselves undertake an analysis to determine the most appropriate structure for the municipality and then apply to the Minister who takes it through an Order-in-Council process.

In 2002 the Victorian Parliament's Economic Development Committee investigated structural reforms in the Victorian economy, including local government reform. Most of the evidence submitted to the inquiry 'acknowledged that municipal reform was necessary for the economic viability of many small councils and has led to efficiencies and a wider range of service delivery' (Economic Development Committee 2002, p. xi). Written submissions were invited from councils and the community and twenty percent of Victorian councils made submissions. The Committee found that council amalgamations have had an overall positive impact on the ability of councils to improve the capacity and flexibility of service delivery and to undertake major projects that were not necessarily viable prior to municipal reform. The Committee noted concerns over the impact of council amalgamations were largely confined to smaller towns that previously

had a local shire office which was re-located to a central headquarters after amalgamations.

Heavily influenced by the reforms introduced in the United Kingdom and New Zealand, the Victorian reforms went one step further by introducing elements which were untested and unproven. Whilst the reforms were decades in the making, the scope and pace of reform was unprecedented. With constant refinement the local government sphere in Victoria has come to accept that the reforms were inevitable and have resulted in a wider range of service delivery. There is evidence to suggest that small sized local units of government can be productive in certain circumstances, there is also evidence to suggest that with increased size of local government comes benefits such as a better ability to employ qualified professional staff, more readily able to establish a presence, better able to attract popular support, less vulnerable to state government intervention, better placed to work with state government and broader vision and general policy making capability.

2.3 Amalgamations

Though the question of boundary reform was on all state government agendas for much of the post-war period, it was not until the 1990s that amalgamation surfaced as a major issue across Australia. All six states established commission of inquiry to examine the question and recommend appropriate action. As discussed in the previous section of this chapter, Victoria took the most drastic action. Of all of the Australian states, Victoria set in motion the most radical raft of reforms during 1993. Tasmania (which reduced the number of local governments from 46 to 29 by 1993), South Australia (from 118 to 72 by 1997) and Queensland (from 134 to 124 by 1994) all embraced a far more consultative approach to amalgamation in which the views of both constituents and councils were widely canvassed before decisions were made. Western Australia's inquiry did not endorse an agenda of amalgamation of its 138 councils but instead suggested there was scope for 'unification' and resource sharing between councils (Marshall 1998). New South Wales adopted a similar stance as Western Australia where the Minister for Local

Government only sought to encourage the state's 178 councils to consider resource sharing and greater regional cooperation.

Aulich suggests the more dramatic changes in the 'southern states' of Victoria, South Australia and Tasmania may be the result of the collective title as the 'rust belt states', which indicates an economic structure which have groaned under the transition from primary to secondary based economics to ones dominated by service industries (1999, p. 20).

In all states the rationale underlying the implementation of local government amalgamations was that of increased efficiency. Amalgamation is perceived as producing economies of scale; as size increases the unit cost of tasks and services diminishes. In particular it is felt that administrative costs of councils can be reduced by rationalising staff, plant and equipment. At the same time such moves would increase the purchasing power and the scope to employ more specialised personnel and equipment. Chapman (1995, p. 10) has noted in the Australian context that 'it seems universally accepted that administration costs as a percentage of total expenditure will fall as a result of mergers.' Marshall suggests that the international evidence on whether local government amalgamation actually results in greater efficiencies, is however, inconclusive (1998, p. 650).

Byrnes and Dollery (2002) provide an assessment of the economies of scale argument in the context of local government amalgamations by reviewing Australian, UK and US studies. The finding was that there was considerable uncertainty as to whether economies of scale exist or not, and claimed several instances where 'diseconomies of scale' i.e. amalgamation with reduced services, had resulted. Similarly, Sancton concluded the efficient delivery of municipal services does not require large municipalities, indeed 'efficient' and 'large' are often contractions in terms when discussing government administration (2000). Allan (2003) makes a similar argument.

Galligan suggests 'localness' has always been a central element of democratic aspiration and political organisation (1998, p. 208). He argues smallness has always been considered an essential attribute of democracy, because democracy is participatory, and active participation of the citizens in public policy decision making was possible only in a small polity such as a city state. He cites Rousseau, who insisted smallness was essential for democracy and considered a city state such as Geneva the best practical option. Galligan suggests Aristotle had recommended that the size of a polity should be such that citizens know each other or at least had indirect personal knowledge of each other.

As the third tier of government closest to the population, it is often argued that smaller councils deliver better quality of services to residents (Allan 2003; Dollery & Byrnes 2002). The appropriateness and effectiveness of service provision of smaller councils are enhanced through being 'closer to the people'. The 'bigger is better' argument for consolidation to create efficiencies through economies of scale is often used by neo-classical policy makers to justify amalgamations. The benefits promised by amalgamations include larger, stronger councils offering an expanded resource and expertise base (Hallam 1994).

The limited Australian literature on this subject also indicates that the extent of savings to be gained from amalgamation is uncertain. Aulich warns against assuming that economies of scale will naturally follow amalgamations and points out that the costs of mergers may outweigh the benefits, that economies will vary according to the type of service being offered, that diseconomies of scale will set in at some point and there will be hidden costs to mergers (1993 pp. 185-6).

The Victorian Government's Office of Local Government reported in January 1994 on the relationship between council's population size and their efficiency. Titled *Structure and Efficiency* this report concluded 'there is a significant relationship between total council expenditure and municipality size, with the largest metropolitan and rural councils having per capita expenditure around half that of the smallest councils'

(Victorian Government 1994, p.66). This report establishes a clear link between council size and efficiency and has highly relevant as the Victorian Government's strategy during the period 1993-1999 for local government stressed three principles of improvement:

1. efficiency,

2. effectiveness, and

3. accountability (Victorian Government 1994, December, p. 2 p.2).

Not only are many communities suffering from reform fatigue, but there is an understanding that administrative reform breeds more cynicism than efficiency and effectiveness (Rhodes 1994). Assessing various reform attempts to the public service in the United Kingdom, Rhodes suggests these changes create uncertainty, long hours for practitioners, yet there are very few tangible benefits. The simple fact that there has been a continuous stream of reforms clearly shows that they are 'under achieved'. Critical questions must be asked though. Does this task need to be done? Does it need to be done by government? If not, who should do it? Contracting out has been a feature of local government since inception (Rhodes 1994, p. 141). Whilst an established feature, its role was dramatically increased in the 1990s. The role of government was increasingly to facilitate the delivery of services by other and oversee their performance.

O'Toole suggests local Councillors and local bureaucracies have come to terms with many of the new structural arrangements inside local government. Service delivery has been transformed and corporate management is well bedded down (O'Toole 2003). He explains the refocusing of service delivery under the 'best value' approach essentially means building consultation with the local community into the design and implementation of local government services.

The Victorian Grants Commission's report of June 1985 observed that council administration costs, including overheads, accounted for 29 percent of total local government outlays in Victoria in 1982-85 (Victorian Government 1985 June). Analysing the data, the Commission found that administration costs per capita tended to be significantly lower in larger municipalities than in smaller ones. This relationship was

found to be particularly strong in metropolitan municipalities, where councils with populations of less than 25,000 were estimated to have per capita administrative expenses more than three times greater than the average of councils with populations between 75,000 and 100,000. The Commission concluded that there was no doubt that economies of scale exist in relation to administration expenses in local government (Victorian Government 1985, June). The Commission also found a strong relationship between the range of functions performed and population, with larger municipalities performing significantly more functions than smaller ones concluding 'this is consistent with resource constraints on less populous municipalities' (Victorian Government 1985, June p. 15).

By comparing the level of council employment levels with population size to determine if any economy of scale exists, the Victorian Grants Commission found a strong inverse relationship across all municipalities in Victoria. The smallest municipalities were found to employ 28 permanent staff for every thousand residents, whereas the most populous municipalities employed only three staff for every thousand residents (Victorian Government 1985, June p. 18).

The function of local government in the broader economic context is summed up by the then Minister for Local Government when he wrote:

> *Municipal reform in Victoria was always seen as part of a wider micro-economic reform agenda. The government's overarching goal was, and remains, to stimulate investment, wealth creation and employment growth. Increasing the efficiency and reducing the cost of local government is one important means of achieving that goal* (Hallam 1995b).

Indeed the reforms of the Kennett Government were strongly linked with the release of the report *National Competition Policy* (Hilmer 1993). The report recommended extending the scope of existing trade practices legislation to the Australian economy as a whole and, in particular, introducing significant structural reform to all government institutions so they would be subjected to the same market discipline as the private sector.

The reports proposals were adopted in April 1995 when the states and the commonwealth agreed to sign a package of agreements to implement National Competition Policy (National Competition Council 1998). The most important aspect of this policy is competitive neutrality. Competitive neutrality is intended to ensure government businesses do not enjoy a financial advantage because they are publicly owned. It requires that the business functions of councils operate under similar competitive pressures as those experienced in the private sector. That is, they should not enjoy existing net competitive advantages such as immunity from taxes and cheaper borrowings.

For Victorian local government, the introduction of Compulsory Competitive Tendering was the most important element of the structural reform program. The Minister argued that 'in the long term it will do more to revolutionise the culture of local government than boundary changes' (Hallam 1995a, p. 9). While the bulk of services put to tender were mainly public works and services, it is clear that by the end of 1996 there were few areas of Victorian local government activity that had not been exposed to market testing (Maclellan 1996, p. 11). The change in the level of contracting was described by Ernst as an 'exponential leap beyond the established and piecemeal approach' that had existed previously in local government tendering (Ernst 1994, p. 118).

Though the other five states were signatories to the National Competition Policy, none had followed Victoria's lead with regard to local government. The agreement contained a clause which allowed each signatory to determine its own framework for the implementation of the policy. This clause was used by all parties (except Victoria) to protect their local government sectors from the indiscriminate imposition of market practices (Marshall 1998, p. 656).

Internationally, one large-scale amalgamation that has been studied over time, that of the City of Jacksonville and Duvall County in Florida, also confirms these findings: not only did costs increase, but the annual rate of increase rose both post amalgamation and

compared with a nearby comparable unreformed metropolitan area (Benton & Gamble 1984).

Sancton (1996) observes, for example, that virtually none of the benefits identified as flowing from the amalgamation of Toronto-area municipalities required reorganisation but were merely improvements in practices that could have been made within the existing system. Bish (2000) reported that the structures that most successfully facilitate responsive governance can also be the least expensive. For example, in Halifax, Canada, during the post amalgamation in the period from 1996 to 2000, user charges increased significantly and average residential property taxes rose by about 10 percent in urban areas and by as much as 30 percent in suburban and rural areas (Bish 2000). Debt has also increased, since, despite these tax increases, most of the implementation costs were financed through borrowing. Bish concluded that based on the Canadian, European and United States examples of local government amalgamation 'it is simply not the case that big governments cost less because they can achieve economies of scale' (2000, p. 26).

This section has examined the nature and strength of arguments regarding amalgamation of local government. Amalgamations have resulted in larger and fewer councils. Whilst there is evidence to suggest that smaller councils deliver better quality services to residents, these benefits are hard to quantify and the evidence is inconclusive. The evidence to suggest amalgamation leads to increased administrative efficiencies is strong. Amalgamated councils have smaller unit costs for services due to capital intensive services such as rubbish collections and road maintenance being spread across a larger base. Administrative costs are also reduced by rationalising staff, plant and equipment. There is also a greater scope to employ more specialised staff and equipment. However, evidence suggests these improvements could be also achieved without amalgamations. This evidence from North America suggests improved practices within the existing governance system may deliver better outcomes. It cannot be said that in all cases big governments cost less because they can achieve economies of scale. It was always the intention of amalgamation policy makers to increase the efficiency and reduce costs, this objective can be achieved by introducing programs without boundary reform.

2.4 Managerialism

The Victorian reforms to local government described earlier in this chapter grew out of, and were a variant of, an intellectual movement that has been characterised as 'New Public Management' (Hood 1991). This model was a public sector adaptation of international management movements. It sought to organise the public sector to be more like the private sector in operation and structure. Innovations such as 'let management manage', flatter organisational structures, the shift from process to a focus on outputs and the increase in scale, were key elements of this new managerialism (Gerritsen 1998).

Following local government amalgamations, Councillors were expected to take on new roles as a board of directors where there would be a separation of 'steering' or setting the policy framework and 'rowing' or the provision of services (Newnham & Winston 1997). This concept is based on the principles established by Osborne and Gaebler (1992) who suggest the most successful organisations in the public services separate management from operations so as to allow management to concentrate on decision making and direction. They suggest that if this separation of responsibility is not made, management will be distracted by operational tasks and basic steering decisions will not be made.

Rhodes (1996) suggests managerialism stresses hands-on professional management; explicit standards and measures of performance; managing by results; value for money; and closeness to the customer. This change in administration is a global trend in public sector management and advocates a paradigm shift from administrative to managerial values. van Gramberg and Teicher suggest this policy transforms public servants to managers and the public to customers (2000). Under this new public management, private sector management practices, underpinned by human resource management concepts and a focus on entrepreneurship, efficiency and quality are imported into the public sector.

In Victoria, these principles included greater accountability as councils were required to prepare four-year Corporate Plans which was seen as critical for the internal

administration of local government (service delivery). These Corporate Plans were supported by Key Performance Indicators which would be reported on a yearly basis. In addition councils were required to complete annual customer satisfaction surveys and compile performance measurement data to be used for State-wide league tables.

Released by the Office of Local Government in December 1993, *Local Governments Side by Side* sought to provide comparison data series. This release was part of the *Project Victoria* proposal from the Institute of Public Affairs which described previous administrations' reluctance to provide such analysis for the reason it may 'embarrass' local councils that are shown to be less efficient (1993, p. 25).

This performance system was designed to deliver effective and relevant services to the community. van Gramberg and Teicher suggest this performance system became a tool of control of state government over local government (2000). This was emphasised by the Minister for Local Government having the power to dismiss councils and appoint municipal inspectors to review council decisions. The Auditor General was also given the powers of oversight of local government in 1996.

Local government managers were compelled to adopt a variety of private sector principles and practices; reorganise structures around programmes or strategy; and adopt the financial and human resources management approaches of the private sector (van Gramberg & Teicher 2000). This shifted relationships towards a more contract based structure between local government and service providers. Through a focus on Moreland City Council, van Gramberg was able to assess the extent of changes introduced and form a view that reforms introduced new public management concepts on a scale unprecedented and the result has been an emphasis on the subordinate role of local government.

Ryan suggests the introduction of new public management has required public agencies to shift their focus from:

> *process towards purpose, reorganise their structures around programmes and strategy, adopt the financial and human resources management approaches of the private sector, and the de-bureaucratised forms of organisation emerging* (1997).

The concept of managerialism reflects a commitment to the values of individualism, efficiency and entrepreneurship. This underpins the notion that public services are best contracted out to the private sector. Alford and O'Neill (1994) coined the term 'contract state' to describe the reforms being introduced in Victoria, the central instrument of all these changes, particularly to local government has been the contractual form. This challenges the traditional conception that managers are organisational functionaries or bureaucrats trapped by an organisational culture which values rule-following above innovation (van Gramberg & Teicher 2000).

Through the introduction of employment contracts for senior staff at councils, explicit performance requirements were developed and performance schemes introduced. To the critics, this system has implications for unions, employee/employer relations and are an end to traditional public service career paths. To the supporters, such contracts promise transparency, alignment with government goals and increased productivity (Alford & O'Neill 1994). Alford and Considine assess these employment arrangements, compare them with the previous system and assess their usefulness in improving public management (1994). They conclude the contract model is of limited application to much of the public sector work, and may have pervasive effects. They compare the 'conventional model' that was prevalent through the post-war until the election of the Cain Labor Government in the early 1980s with the 'managerial' and 'contractual' models which is shown in Table 3.

Personnel aspect	Staff level	Model		
		Conventional	Managerialist	Contractual
Recruitment	CEO, Secretary, Head of Department	Statutory appointment	Limited term contract	Limited term contract
	Senior Executive Sub-Senior Executive	Recruitment and internal promotions	Recruitment and internal promotions some outsiders	Some outsiders
Who is the employer?	CEO, Secretary, Head of Department	Governor in Council	Governor in Council	Premier
	Senior Executive Sub-Senior Executive	Crown, via the Public Service Board	Crown, via the Public Service Board	CEO, Secretary, Head of Department
Remuneration	CEO, Secretary, Head of Department Senior Executive Sub-Senior Executive	Payment by grade	Element of performance pay, but mainly payment by grades Payment by grade	Packages (partly in kind), performance bonuses, higher quanta Payment by grade
Job security	CEO, Secretary, Head of Department Senior	Tenure	Hard to terminate	Limited term, 4 weeks notice
	Executive Sub-Senior Executive		Tenure, hard to terminate	Mainly tenure

Table 3: Victorian public service employment arrangements in three successive management models
(Alford & Considine 1994, p.48)

The Victorian reforms can be placed within more general analyses. Despite the best intended policies to improve organisational efficiencies through employment contracts, often internal politics, management styles or dysfunctional administrative structures can impede the delivery of services to residents. Walsh suggests that one response to improving government's response to local communities is place management (2001). Not only is place management a solution to improve government response to communities with special needs, it offers government a range of management and administrative structures that are only available to such authorities.

Dollery and Johnson provide an evaluation of alternative models of municipal governance to enhance the efficiency of local government (2005). As discussed previously, they suggest three functions of local government: administrative, representative and participatory, and that the administrative functions can be dealt with through various other mechanisms. This work argues that efficiency is not driven simply by amalgamations and there are options available to policy makers for limited function municipalities, resource sharing, regional organisation of councils and virtual local government.

Dollery and Johnson (2005) argue that all the available empirical evidence, both in Australia and abroad, suggests that not only does local government amalgamation fail to yield any benefits, but larger local governments are inherently less efficient and thus more expensive (Bish 2000). Council amalgamation is only one of several different possible models, and it is by no means either the most obvious or most efficient method of enhancing performance (2005). Alternatives suggested include limited function municipalities, ad hoc resource sharing, regional organisations of councils, joint board models and virtual local governments. The latter developed in response to the forced amalgamations of Balmain Council (Allan 2001).

This is reflected in Dollery, Burns and Johnson who researched a regional organisation of councils (2005). This model provided 'quick wins' through reduced costs from joint plant utilisation, consolidated investments, risk management and geographical information

systems. The consolidation also reduced duplication, improved productivity of capital works and staff management and retention. Admittedly, this voluntary amalgamation was between four councils with some of the smallest population bases in New South Wales.

The research conducted by Leach suggests that effective governance is more important than just organisational structures of government (2001). There is greater importance placed on the interaction between structures and actors than the structures themselves. Assessment of organisation effectiveness criteria and how the preferences of individuals change, sometimes dramatically, over time is analysed extensively (Cameron 1986). Cameron argues that what was preferred at one point in time may not be valued at another point – this is particularly important in the context of local government amalgamations.

Lapsley and Pallot (2000) provide an assessment of the 1997 United Kingdom reforms and the 1989 New Zealand reforms to local government. They explain how the reforms are similar to those introduced in the mid 1990s in Victoria, and describe the decoupling of politics and management under which citizens have become customers and ratepayers have become stakeholders. Blacher suggests that the United Kingdom and New Zealand reforms were timid compared to those introduced in Victoria (1998, p. 162). O'Toole suggests that in Victoria this prevailing corporate governance model there is a passive role of ratepayers – they are shareholders rather than active citizens. This is reflected in the reduced satisfaction levels of the population (2003).

Williams (1999) assesses the metropolitan governance in the Greater Toronto Area by focusing on the period during and after amalgamations. A key finding is that the reforms introduced increased social and political isolation and fragmentation of communities. Williams also discusses the political concentration that followed amalgamation that resulted in less accountable and less accessible governance. This is similar to the findings of van Gramberg and Teicher (2000) who assessed local government reforms introduced in Victoria, looking specifically at Moreland City Council. This was discussed in the previous section of this chapter.

Managerialism is one of the most pervasive reforms introduced during local government amalgamations. Aulich (1999) provides an assessment of Australia's local government systems, and argues the move away from traditional notions of local government in Victoria has shifted the focus from governance, democracy and local services. This has been witnessed through the development of Corporate Plans, Compulsory Competitive Tendering or Best Value, and the principals of managerialism in the public service. This has in turn reduced the effectiveness of local government as an advocacy and representative authority.

Boyne (2003) suggests the introduction of managerialism concepts in local government has triggered a vigorous policy debate on the most appropriate path towards higher performance – and especially the contribution of the private sector. Boyne's conclusion is there are no universal criteria for effectiveness and, by implication, improvement. Zammuto (1984) suggests an organisation is effective if its multiple constituencies perceive it as effective. Gaertner and Ramnaravan argue that an 'effective organisation is one that is able to fashion accounts of itself and its activities in ways which constituencies find acceptable' (1983 p. 98). Thus, the multiple constituency model emphasises organisational image and legitimacy rather than substance and service delivery. This model takes the definition of public service improvement and effectiveness into the realms of political science and market research. This partly explains the new public management focus on customer satisfaction surveys and best value reviews.

Boyne suggests the goal model is the most appropriate method of determining public service improvements. This model, on the surface at least, is the simplest model of organisation effectiveness. It is based on the view that organisations are established for a purpose – to achieve objectives that individuals, families or communities cannot achieve on their own. Organisations are established with a goal or set of goals. Over time these may change or be embellished, but they continue to guide the strategic direction of an organisation. The strength of the goal model is that it emphasises the content of improvement. Changes in the substantive standards of services have tangible elements

(e.g. speed, quality, reliability) that are likely to be valued by all stakeholders (Boyne 2003, p. 222). Boyne argues that there is one benefit of the multiple constituency model as it recognises that concepts of improvement are often political rather than technical. Taken together, the goal and multiple constituency model imply a working definition of improvement must incorporate both the substance of organisational achievements, and the inherently political nature of judgements of success or failure. This is supported by Connolly, Conlon and Deutsch who suggest divergent views on effectiveness is desirable and under a multiple constituency model (1980).

Victorian Auditor General's Office reported on performance reporting in Victorian local government, it found most councils non-financial performance data is of limited relevance to ratepayers and residents, the principal users of that data (Victorian Government 2008, p. 1). The Auditor General suggested one inference that could be made is that councils select indicators because they are easily measured, not because they are the right things to measure (Victorian Government 2008). Whilst financial reporting requirements are standard across Australia with the introduction of Australian Accounting Standard AAS 27 *Financial Reporting by Local Governments*, non-financial measures are inconsistent.

Compulsory Competitive Tendering represented the 'high water mark' (Boyne et al. 1999, p. 23) of the neo-liberal approach to public sector management that was predicated on the belief that the discipline of the market was a precondition for the efficient management of the public services.

One measurement of performance introduced as a result of the managerialism is Best Value. Best Value was introduced by the Bracks Victorian Government in 1999 to replace Compulsory Competitive Tendering. It seeks to emphasise accountability in the expenditure of government funds, develop 'learning' (continuous improvement) and pursue change in organisational culture, emphasising the tenants of 'business excellence'. Ball, Broadbent and Moore investigated the early experiences of implementing Best

Value in the local government sector and concluded it 'represents an unusual cocktail of top-down concept and bottom-up realisation' (2002, p.9).

The introduction of Best Value in the United Kingdom was based on the 3E's of 'economy, efficiency and effectiveness' (United Kingdom 1999). This was enforced through a set of procedures for external audit and inspection. The rigor placed on local government for the introduction of Best Value created a situation of becoming a 'time consuming and over inspected process in which the carrying out the procedures has become more important than the challenge Best Value was intended to provide' (Stewart 2002, p. 4). In a series of reforms to affect this situation the United Kingdom government released a White Paper in 2001 which puts forward a new initiative of league tables and labelling councils high performing, striving, coasting or poor performing. This also introduced the principle of selectivity, allowing central government to intervene for poor performance and allowing greater freedom and flexibility for high performance.

As discussed in Section 3.6 on governance, local government can be conceived as an organisation controlled by directly elected representatives of the community with a mandate to deliver services and perform a variety of community-oriented functions in the manner of community self-governance (van Gramberg & Teicher 2000, p. 489). The introduction of managerial principles runs counter to this concept, and has seen local government transformed from an institution of governance to a reporting arm of state government. This is supported by arguments presented by van Gramberg (2000) and Marshall (1998) who see local government as little more than sophisticated mechanisms for selecting and delivering services. Davies asserts that despite central government attempts to promote local government, political power continues to be centralised to an extent unparalleled in recent United Kingdom history (2004). This would equally apply in Victoria. Game argues that:

> *On the one hand, the Government emphasises its commitment to local accountability; on the other, it insists on reserving the right to intervene as guardian of the national interest. The two ideas are not easily reconcilable* (Game 2002, p. 413).

Stoker suggests that in the United Kingdom this apparent tension is the product of calculated incoherence by a paranoid, fatalistic government that mistrusts the institutions of devolved governance. 'Contrived randomness' is a strategy for creating uncertainty, the best way to keep capricious institutions on their toes (Stoker 2002, p. 149). New Labour was at first committed to decentralisation, but this has evolved into a centralising, managerialist government (Davies 2005, p. 319). The 1979-1997 era under successive Neo-liberal governments saw intervention become reality. The aim was to weaken and bypass elected local authorities and empower consumers, wheras under New Labour the aim has been to empower partnerships – an interesting comparison. As Michael Loughlin comments:

> *the basic thrust of Conservative government's programme seems to deny that local authorities should any longer be treated as institutions of governance; they seem now to be treated merely as agencies for delivering centrally-determined policies* (Loughlin 1996, p. 417).

As Stoker observes, many commentators argue that in the United Kingdom, New Labour's approach to central-state relations can be seen as 'a classic case of hierarchist approach, or in more common parlance control freakery gone mad' (Stoker 2001, p. 3). Jones and Stewart lamented the failure of central government to relate to local government needs:

> *Community strategies need to cross departmental boundaries. They require an integrated response from central government. Too often central government has been capable of only a departmental response ... In terms of service delivery, central government departments are remote and have little understanding of the problems of implementing strategy in specific localities. In frustration it tries to do more itself, resorting to over-detailed prescription, over-inspection, excessive initiatives and a naïve approach to change* (Jones & Stewart 2001, p. 14).

The introduction of managerial processes has fundamentally changed the way local government works. Councilors are increasingly playing the role of a board of directors steering the council down a particular path and with management employed on fixed

tenure contracts reporting to the Councilors. The performance reporting introduced during local government reforms such as business plans, annual reports, Auditor General reviews and Freedom of Information has increased transparency and accountability. This paradigm shift from administrative to managerial values has been one of the foundation stones of New Public Management. Whilst transforming senior public servants to managers, ratepayers to customers, and making local government responsible to the State Government, this reform package has resulted in efficiency improvements equal to the impact of amalgamations. Further testing of principles such as place management for governance is required before conclusions can be drawn.

The drive for efficiency should not simply be through amalgamations. This chapter has canvassed options that are available to policy makers to improve efficiency in local government. There is argument that managerialism has reduced the effectiveness of local government as an advocacy and representative authority. Managerialism runs counter to the concept of self-governance and has transformed local government to simply a reporting arm of State Government. Principles such as Compulsory Competitive Tendering had an adverse result on council administrative structures, driven by a belief that the private sector knew best how to manage service delivery. With the introduction of Best Value the addition of effectiveness criteria to local government service delivery has resulted in a better outcome for rate payers.

2.5 Networks

For Rhodes, governance refers to self organising, inter-organisational networks (1996, p. 660). These networks are characterised, he says, by interdependence between organisations, continuing interactions between network members and game-like interactions rooted in reciprocity and trust subject to rules negotiated by network participants. This network approach is akin to the collaborative strategies suggested to handle wicked problems later in this chapter. In the network mode of governance, 'trust' is central (though not the exclusive) coordinating mechanism, whereas command and competition drive hierarchies and markets respectively. Davies suggests the challenge

confronting government in the era of governance is to mediate agreement among diverse actors about the aims and objectives for governing (2005, p. 313).

Granovetter's analysis of weak ties between individuals and groups found weak ties link different social groups, while strong ties are concentrated within groups such as friendship circles and organisations. He suggests weak ties can be effective in bringing groups together in open networks because they facilitate information flows. Strong ties on the other hand, tend to create cliques or closed networks (Granovetter 1973, p. 1373). Davies suggests that weak ties do not automatically facilitate effective information flows. What makes weak ties effective is a 'bridge', for example the discovery of a common purpose which strengthens the link (2005, p. 314).

Davies (2005) suggests in an open network there are many different actors jostling for influence. Issue networks sometimes form as a consequence of the breakdown of the policy community, they tend to be unstable. Because of this instability, they find it difficult to mobilise effective governing capacity and tend to collapse into closed policy communities as powerful interests win out in the long term. Where consensual partnerships occur, they are more likely to be closed rather than open, and narrow rather than broad in their goals. Where partnerships remain open and pursue a wide strategic agenda, instability and non-compliance will tend to provoke interventionist governments into playing the disciplinarian – which may undermine collaborative synergy and encourage closure around professional interests. Figure 7 represents the analysis in diagrammatic form. The bottom right quadrant is the ideal-typical community of powerful actors in a closed network. The bottom left quadrant depicts a policy community where dominant actors have fallen out or failed to reach agreement.
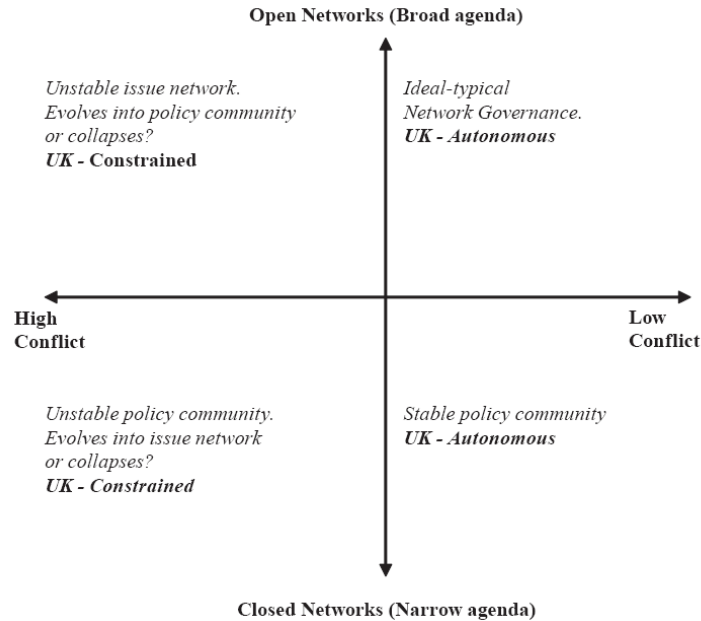
Figure 1: Network patterns in different conflict/consensus environments
(Davies 2005, p. 328)

According to Alcock, the policy idea of a partnership, the institutionalisation of the governance principle by government action, reflects the notion of civil society 'within which all partners, and all citizens, have mutual interests and obligations in securing local social and economic progress' (2002, p. 243). Davies suggests that in the United Kingdom this is the central idea that underpins New Labour's political economy and drives its normative commitment to multi-level governance (2005, p. 315), however the reality of conflict requires the central government to intervene in networks it originally indented to be decentred, autonomous and inclusive.

Multi-level governance, in the context of networks linking central government with local communities, is likely to 'stick' better if there is a greater understanding of what are very different worlds. Stewart argues 'There are deep divides between the worlds of local government and central government, so that one can almost describe them as two worlds acting in isolation and in ignorance of each other' (2000, p. 91). In their research for the Commission for Local Democracy in London, Jones and Travers emphasised this point:

> *A number of civil servants – even in departments whose services are run through local government – appear to have little or nothing directly to do with local*

authority members or officers. A gap of understanding exists between central and local government, much of which appears to be based on simple ignorance (or worse still, mistaken, stereotyped, views). The mundane nature of many local services appears to encourage (at least some) civil servants to believe that they possess 'Rolls Royce minds and local government officers have motor cyclists' minds (Jones & Travers 1994, p. 16).

Leat, Seltzer & Stoker (2002) came up with similar findings:

The view from the centre is that these people lack the passion to transform, are less competent, less accountable, more prone to take the line of least resistance and to relax into the comfortable sofas of administrative routine. Hence only the most relentless regime of inspection, incentive, sanction and discipline will produce effective action. This type of impatience results from a lack of trust.

A suggestion of transferring staff between departments and organisations is a 'powerful method' in developing a common understanding of the challenges faced by local government in responding to central government Leat, Seltzer & Stoker (2002, p. 139). Secondments such as these can, in theory, enhance organisational learning and thereby, facilitate more joined-up government. In practice, it may simply reinforce existing prejudices.

To develop collaborative networks, trusts is central, as opposed to command which drives hierarchies or competition which drives markets. Networks are characterised by continuing interactions between collaborative network members. Networks are of critical importance to government in mediating agreement among diverse actors. Building this environment of trust builds strong ties, however weak ties can be effective in facilitating information flows. Strong networks can tend to create closed networks, or cliques, whereas open networks are characterised by many different actors jostling for influence. A careful balancing act is required to ensure this conflict doesn't create such an unstable policy community that it collapses or evolves into issue based networks. In an environment where state and local government are in conflict there is an acute need for building successful networks in the policy community, the importance of building these

relationships is discussed further in this chapter when discussing methods of handling wicked problems.

2.6 Governance

The structural reform of local government began in the 1970s and 1980s in the United Kingdom, United States and New Zealand. It reached Australia in the 1990s and continues through to today. These reforms were introduced as a result of pressures to achieve improved levels of efficiency and performance. As has been described in previous sections of this chapter, these reforms have been achieved through ongoing boundary reform, imposition of new managerial strategies and exposure to private sector competition through Compulsory Competitive Tendering and Best Value. In the United Kingdom the process of local government consolidation took place in the early 1970s and was followed by further substantial reorganisation during the period of neo-liberal rule from 1979 to 1997. This period saw the imposition of increased central government control and subsequent diminution of local government's discretionary powers. Much of the substance and direction of the British reforms was taken up in New Zealand's Local Government Act 1989. Strict new financial frameworks were imposed on authorities, including mandatory requirements for the introduction of strategic management processes and improved accountability and transparency. Councils were encouraged to adopt business procedures, competitive tendering (though this was compulsory in the United Kingdom) and set up Local Trading Enterprises to conduct potentially profitable ventures. With the objective of achieving economies of scale the number of local councils was reduced from 741 to 92.

In Victoria, during the seven years of Kennett Government a series of radical and groundbreaking reforms were undertaken, combining market-based economic rationalism with deep cuts to government administration, privatisation, competition and outsourcing (Alford & O'Neil 1994). These reforms were heavily influenced by the events in Britain and New Zealand. The New Zealand Local Government Act 1989 served as a template for much of the substance of state legislation. The exception being Victoria which with

its Compulsory Competitive Tendering and heavy emphasis on economic functions, bears a closer similarity to the United Kingdom than New Zealand reforms.

The Bracks Labor Government took office in Victoria in October 1999, following an election result which surprised most commentators which expected the comfortable re-election of the Kennett Liberal-National Coalition. Wiseman (2005) identified four key constraints of the incoming Labor Government. First, it was a minority government dependent on the support of three independents. Second, the Legislative Council was controlled by the Liberal and National parties. Third, the members of the newly appointed Ministry were inexperienced, some without previous experience of being in Parliament, much less running a department. Fourth, the Victorian public service had become increasingly focused on outsourcing and contract management with a diminished capacity to explore and develop broader policy options and processes (Wiseman 2005). All of which combined to create a cautious and neo-liberal government.

As local government is a sphere that is subordinate to State Government, the policies of State Government are critically important. The Bracks Government policy blueprint *Growing Victoria Together* identifies a government that listens and leads as an important principle. It states that more Victorians would be consulted on issues that matter to them (Victorian Government 2001). However as identified by Wiseman, there is mounting concern within local government and non-government organisations about the extent of State Government commitment to back the language with real changes in decision making and resource allocation processes (2005).

Local government in Australia is the creation of State Parliaments and has operated under statutes that in most cases are fairly prescriptive. Local government was not recognised in the Victorian Constitution until 2000. This highlights the subservient structure in which local government exists.

Pierre and Stoker interpret governance as negotiated, non-hierarchical exchanges between systems of governing at different institutional levels and 'the essence of

governance is its focus on governing mechanisms which do not rest on recourse to the authority and sanctions of government' (Pierre and Stoker 2002, p. 32).

Rhodes suggests that there are at least six different uses of the term governance: as minimal state, as corporate governance, as new public management, as good governance, as socio-cybernetic system, as self-organising networks (1996). The use of the term governance is also a mechanism for making decisions 'within' the organisation. For the purposes of this research this definition is excluded as internal governance refers to relationships between the council, individual Councillors, mayor, chief executive officer and senior managers. The notion of internal governance is akin to corporate governance. Governance is more than just the organisational structures of government and has more to do with the interactions between structures and actors than the structures themselves (Leach 2001).

The World Bank describes governance as the exercise of political power to manage a nation's affairs, and good governance involving an efficient public service, independent judiciary and legal framework, accountable administration of public funds, independent public auditor responsible to a representative legislature, respect for the law and human rights, a pluralist institutional structure and a free press (1992).

The transformation from less government and more governance, in other words regulation has replaced ownership as the preferred form of public intervention. This model of New Public Management produces what has been termed a contract state model that focuses on results not rules where corporate planning, objective-setting, program budgeting, and performance monitoring became the order of the day with the council organised and run like a local business (Alford & O'Neil 1994). Rhodes describes this transition from the '3Es' of economy, efficiency and effectiveness (which is also the criteria for Best Value) to New Public Management and entrepreneurial government. With this has come the introduction of private sector management methods into the public service, managerialism. This style stresses: hands on professional management, explicit standards and measures of performance, managing by results, value for money,

and closeness to the customer. This may also refer to the introduction of incentive structures (such as market competition) into public service provision. In local government this was witnessed through Compulsory Competitive Tendering resulting in large scale outsourcing of government business.

In contrast to the New Public Management theory, the Bracks and later Brumby governments in Victoria have an ideological view of 'constraint' or even 'control' of local government activities. This approach is consistent with the Kennett Government reforms which were introduced as a top-down approach with strong oversight and mechanisms for intervention of local government by the state government.

Marshall reports that considerable emphasis is placed on the strategic planning process as a means of fostering citizen involvement in, and understanding of, council decision making (1998). Victorian *Local Government Act* requires all councils to prepare a Corporate Plan every four years – which includes performance targets and strategies – to be submitted for public scrutiny for a period of at least one month. Stakeholder submissions must be given due consideration before a final plan is adopted. Openness of council meetings, and the ready availability of council documents are also stipulated under the Act.

The evolution of policy in relation to local government amalgamation across Australia has been heavily influenced by the promise of reduced costs. One of the possible consequences of the predominance of economic objectives is the danger that the other functions of local government – representation, participation, access and regional identity – will become subsidiary considerations. From the efficiency perspective, the probable benefits of amalgamations can be projected in specific numerical and financial terms. It is much more difficult to quantify the effect of consolidation on democratic values.

Bish (2000) concludes that the primary responsibility of local governments is governance, not production. Governance involves finding ways in which citizens can express their wishes and work with Councillors to make decisions on regulations, what

services to provide, what their quantity and quality should be, and how they are to be produced and financed. Encouraging citizens to be reflective and to participate in policy debates is important to the health of a democratic society, and local governments need to be small enough to play a role in strengthening civil society in an age of globalisation in other arenas. Moreover, local governments represent a huge investment in social capital as well as a supplier of local services, and every effort should be made to retain them. From this perspective, democratic values should prevail over probable financial efficiencies.

The result of local government reform has been less government and more governance as regulation has replaced ownership as the preferred form of public intervention. Though with controlling oversight by state government, local government has only limited capability to steer the community in a particular direction whilst balancing limited resources. However, in the drive to reform local government a consequence has been a reduced focus on elements of governance such as representation, community participation, access and identity. This conclusion is difficult to quantify but can be seen through the case study assessment earlier in this thesis. This balancing act of continued focus on reforms aimed at efficiency whilst still maintaining good governance is the challenge faced by local government in this post reform period.

2.7 Trust

Trust in community leaders by the community is integrally related to their capacity to predict and affect their behavior (Granovetter 1973, p. 1374). For instance, leaders have little motivation to be responsive or even trustworthy towards those with whom they have no direct or indirect connection – at a local governance level this is particularly concerning. This relates directly to consultation with the community. Levels of trust between the various layers of government remains of fundamental importance. Lownes (1999) argues both central and local government are serious in their desire to rebuild trust after strains which characterised relationships under previous Neo-liberal

administrations. Wilson (2003) suggests that ongoing interaction and discussion can help engender such trust.

Giddens considers trust an essential element in creating and sustaining institutions. He argues in the modern world, people mostly live within and interact with expert, usually abstract, systems about which they actually know very little, in this condition of ignorance, the layperson must have trust in the system (1990, p. 60). Put simply, a process which lacks the confidence of the stakeholders cannot produce a decision or an outcome that has their confidence. In any decision making process, one thing remains constant, the factor of trust. Without trust in the process, the process is destined to fail. Trust appears to play a central role in the legitimacy of the community consultation process. Barber defines trust in its most general sense as 'the expectation that the natural order and the moral social order will persist and be more or less realised' (Barber 1983, p. 34).

In November 2003, the Bracks Government established the Department of Victorian Communities, which the Minister for Local Government, Candy Broad, said had the responsibility for 'building stronger communities and delivering positive social capital' (2003, p. 2). The Minister cited the 'declining trust in governments; an increased sense of insecurity and uncertainty for many towns and communities' as the reason for the Department's establishment (Broad 2003, p. 2). The Secretary of the new Department was Yehudi Blacher, former head of the Office of Local Government (1992-96). The Department included the responsibility for local government however the lead Minister was the then Deputy Premier and Minister for Victorian Communities. He described the community building agenda of the Department as:

> *harnessing the energy of communities so that they can shape their own futures. It is about fostering new and lasting partnerships between communities, government, business and other sectors. It is about changing the way that government works, to better understand and respond to the needs and aspirations of Victorian communities. It seeks to achieve these benefits through revaluing community participation and local decision making* (Thwaites 2003).

Four years later, in August 2007, the Department of Victorian Communities was merged with the planning division of the Department of Sustainability and Environment to form the Department of Planning and Community Development (DPCD). Its short lived lifespan and lack of apparent success in delivering its intended outcomes leads to the conclusion that it was created along the tokenistic nature suggested by Arnstein's Ladder of Citizen Participation. This will be explored in the next section of this chapter in a discussion about appropriate methods of community consultation. Arnstein (1971) suggests a failed attempt at establishing trust is worse than no attempt, because it has contaminated all future attempts by the government to establish trust in the future.

Stanyer (2004) confirms an already growing public distrust of government communications. He argues:

> *People are more suspicious of government communication. How can they distinguish between what is real and what has been manipulated by spin-doctors? An increasing number may believe that all government communication is in essence deceitful, shaped by a team of spin-doctors and should carry a health-warning. With trust in politicians and public institutions already at an all time low, cynical attempts to manipulate the media and the hostile coverage which greets every revelation of spin foster a corrosive cynicism* (2004, p. 433).

This is one symptom of what Laird described as part of an erosion of trust through a decreased willingness to defer decisions to authority as part of what he describes as a 'decline of deference' (1989, p. 544). In this he means the social contract through which the public consents to be governed appears endangered. Laird reaches this conclusion by analysing various professions previously held in high regard, such as scientists, bankers, businessmen and congressmen. Across the board, Laird argues, people have lost confidence in 'every profession and institution associated with risk management' (1989, p. 547). He refers to the rise of independents in the political sphere and a decline in persons identifying with the two party system as evidence of his theory. Figure 2 presents Laird's model of a stratified public. The model, first proposed in the 1940s to study public opinion in relation to foreign policy, remains relevant in the discussion on local government amalgamations. Laird says the public is increasingly being alienated

from political institutions, both in terms of their own sense of personal efficacy and in their trust in leaders (1989, p. 548).
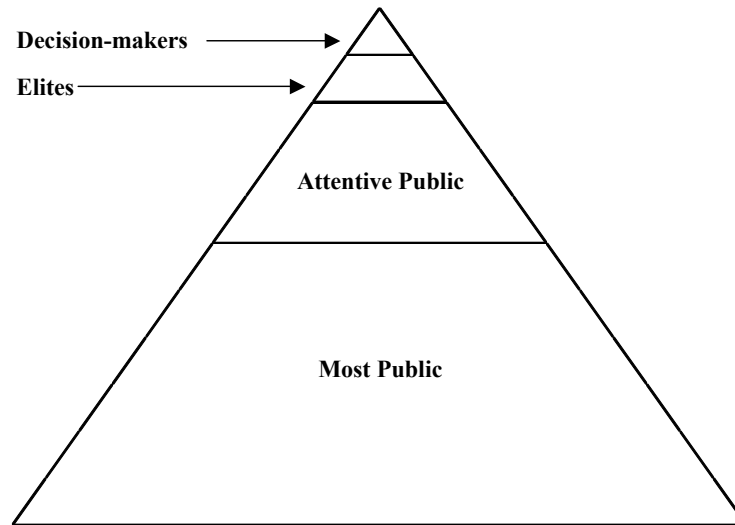
Figure 2: The stratified public
(Laird 1989, p. 547)

The key to understanding the failure of the process is, in Davy's view, the 'monolithic miscommunication' which is encouraged by proponents and opponents of a policy or project. In some instances the system divides stakeholders into two opposing camps: 'for' and 'against' and dialogue is conducted in a manner in which neither side hears or responds to the other (Davy 1997, p. 130). Thus the consultation process generates 'rhetoric of distrust' and a strategy on both sides of 'whatever it takes' to win (Gleeson & Low 2003, p. 460). All these factors create an environment in which good decision making techniques are not facilitated and the process lacks the integrity and trust required for it to succeed.

Without trust in the process, the process is destined to fail. The critical importance of the concept of trust cannot be underestimated. Whilst high level attempts were made to build a relationship of trust between the state and local governments through the establishment of the department of Victorian Communities it was later subsumed into the Department of Planning and Community Development. It could be suggested that this failed attempt at establishing trust is worse than no attempt, because it has contaminated all future

attempts by the government to establish trust in the future. With the pervasive impact of government spin doctors, there is an overall erosion of trust and declining confidence in traditional institutions, this suggests such problems will not be overcome using the same structures. Community participation in decision making is one of the most successful methods of building trust between two parties, one government, one community. This draws our attention to the next section of this chapter, consultation and later in this chapter wicked problems.

2.8 Consultation

There is a heavy emphasis on council amalgamations as the primary engine in the drive for cost-effective local services (Vince 1997). An expected side effect was the diminished vibrancy of local democracy and reduced participation by the citizenry (Allan 2003). The process by which amalgamations were conducted and continue to be maintained is an issue which requires effective community consultation.

A key factor discussed in the consultation process literature is the need to avoid the widespread dissatisfaction with decision-making processes. Arnstein's Ladder of Citizen Participation (1971) identifies community consultation processes as of particular importance.

Arnstein outlines a typology of community consultation arranged in a ladder pattern with each rung corresponding to the extent of community power in the consultative process. This ladder is shown diagrammatically in Figure 3. *Consultation*, the forth rung on the Arnstein ladder is often nothing more than 'a form of tokenism that allows citizens to hear and be heard but there is nothing to insure their views will be heeded by decision makers' (1971, p. 177). Arnstein argues that the idea of community consultation is like eating spinach saying 'no one is against it because it is good for you' (1971, p. 177). However, simply because it is accepted by the political powers does not translate to a corresponding increase of political influence for communities over the decision making techniques.

8	Citizen Control		*Degrees of citizen power*
7	Delegated Power		
6	Partnership		
5	Placation		*Degrees of tokenism*
4	Consultation		
3	Informing		
2	Therapy		*Non-participation*
1	Manipulation		
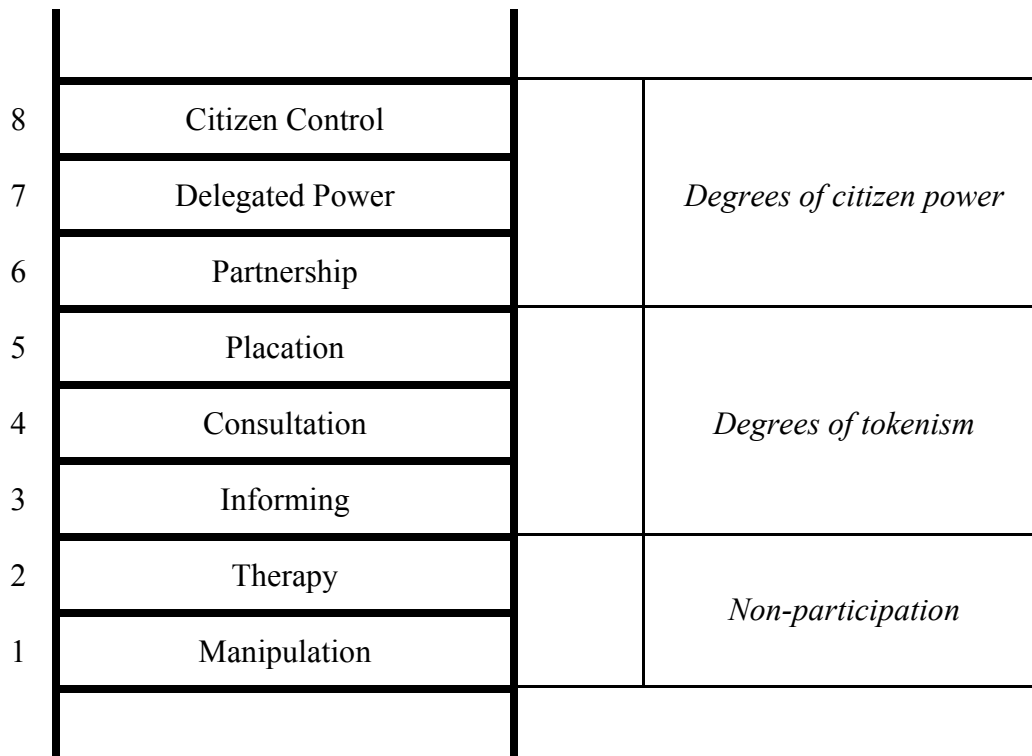
Figure 3: Arnstein's Ladder of Citizen Participation
(Arnstein 1971, p. 177)

Arnstein suggests that there is a crucial difference between going through the 'empty ritual of participation and having real power needed to affect the outcome of the process' (1971, p. 177). She argues participation without the redistribution of power is an empty and frustrating process for the powerless. The bottom rungs of Arnstein's ladder are *Manipulation* and *Therapy,* described as 'non participation'. In the example of community consultation for local government reform, the apathetic response to government led inquiries could be described as this rung of the Arnstein ladder. Rather rungs 3 and 4, comprising *Informing* and *Consultation* are levels of tokenism that allow the affected to be heard and have a say, but they lack the power to ensure their views are heeded. Arnstein suggests this rung of the ladder is a sham since it offers no assurance that community concerns and ideas will be taken into account. Participation becomes simply a window dressing exercise. The rungs above the level of *Placation* allow for genuine decision making power. *Partnership, Delegated Power* and *Citizen Control,*

allow the community to be directly involved in the negotiation process and obtain positions of power to influence decisions.

A key element for community consultation, Curtain argues, is the need to provide comprehensive and balanced information well in advance of a discussion on it (2003). He argues the legitimisation of public participation in the development of policy options applies particularly where there are high-conflict issues, such as boundary changes as part of local government amalgamation. Curtain says that in this situation, public participation in the development of options can be a key element in gaining wider public acceptance of the final outcome (2003, p. 65). By giving the public more opportunity to exercise their rights and responsibilities beyond the ballot box, Curtain says this can overcome cynicism about the decisions taken by politicians and public servants (2003, p. 66). Curtain argues it is important for public servants not to engage in a process that raises public expectations that will be difficult to fulfil, particularly in relation to the adoption of community input if a decision has already been made. He says to avoid this situation, careful thought needs to be given to *when* and *how* citizen engagement is sought (2003, p. 66). The framework for public consultation needs to encompass a clear understanding of the respective roles and responsibilities of elected representatives, public servants, organised interest groups and the public.

Williams suggests current consultation processes engage stakeholders in dialogue with those who ultimately make the decisions, and should rather engage the stakeholders in dialogue with each other as the decision makers themselves (2002, p. 9). Whilst this may seem unrealistic, it could mean some decisions about who to engage as appropriate experts being made by whoever is conducting the consultation. Such a situation is desirable and would lead to greater acceptance of the results and the process. It would also deliver a more consensus based approach and the experts would not be seen as biased towards one or another group.

The requirements for effective consultation processes provide a foundation for an innovative local government structure when assessed against the case study and best

practice consultation processes established overseas (Stewart 2006). Citizen control is the most far reaching form of consultation and local government is the level of government that is closest to the citizens. In his assessment on the importance of citizen participation in Greater Vancouver, Stewart found citizen participation is central to any assessment of good urban governance (2006, p. 196). Electoral participation and elections are the key mechanism through which policy decisions in modern society are made.

Investment in consultative processes has been driven by a combination of motives including a genuine desire by government to improve the responsiveness of the policy process. Whilst providing a structure for responsive policy process it also emphasises government's desire to construct an information base about community expectations. This information base can then be used to build legitimacy and provide early warning signs of emerging concerns or criticisms.

In Victoria, where councilors were dismissed and replaced by appointed commissioners, and local democracy suspended for a period of eighteen months, Marshall noted there was 'muted public reaction' (1998, p. 653) and the state government received support from some quarters for a continuation of the commissioners on the grounds councils were being run more efficiently (Newnham & Winston 1997, p. 121). Martin found staff from commissioner-led councils in Victoria felt that there was a clearer view of what was to be done and how it was expected to be achieved (1999, p. 30).

This example highlights the potentially competing demands of democracy and efficiency. Indeed a South Australian Committee of Inquiry into local government boundaries observed that the prospect of structural reform of local government had aroused 'little response' from constituents (South Australian Government 1995). Marshall suggests such apparent apathy towards questions of local governance undoubtedly allowed state committees greater discretion in their consideration and treatment of democratic issues (1998, p. 656).

Chen notes that whilst democracy remains an expensive form of government, the principle that the people have a right to determine their own democratic arrangements is a normative good that is often difficult to apply in practice (2002). He argues that autonomy is a complex notion, bundling concepts of self determination and government, but also the idea of independence from outside constraint.

Lindblom developed the description 'muddling through' for incrementalism as the way that government operates and ought to operate for public policy making (1979). It is neither a revolution, nor drastic policy change. Linked with sequences of trial and error, it reduces the stakes in each political controversy, thus encouraging losers to bear their losses without disrupting the political system. Incrementalism is not necessarily slow moving, a fast moving sequence of small changes can more speedily accomplish a drastic alternative of the status quo than can an only infrequent major policy change. Incremental policy change can be made quickly because they are only incremental. They do not rock the boat, do not stir up great antagonisms and paralysing schisms as do proposals for more drastic change. Because of this, it is often used to 'smuggle' changes into the political system.

The OECD identifies three levels of government-citizen relations in the consultation context (2001, p. 28):

1. *Information.* Government disseminates information on policy making or programme design. Information flows from the government to citizens in a one-way relationship. Examples are numerous and include a substantial proportion of the information on agencies' websites.

2. *Consultation*. Government asks for and receives feedback from citizens on policy-making and programme design. In order to receive feedback, government defines whose views are sought and on what issues. Receiving citizens' feedback also requires government to provide information to citizens beforehand. Consultation thus creates a limited two-way relationship between government and citizens. Examples are comments on draft legislation, submissions to parliamentary

committee enquiries, and public opinion surveys. This would fit in the 'informing' or 'consulting' rungs of Arnstein's ladder.

3. *Active participation or citizen engagement*. This occurs where citizens actively engage in policy and decision-making processes. Citizens may propose policy options and engage in debate on the relative merits of various options, although the final responsibility for policy formulation and regulation rests with the government. Engaging citizens in policy making and programme design is an advanced two-way relationship between government and citizens based on the principle of partnership. Examples include open working groups, lay peoples' panels and dialogue processes. This would fit in the 'partnership' rung of Arnstein's ladder.

In Figure 4 (below), the OECD suggests 'information' is built as the foundation of a bridge spanning the gap in knowledge or chasm with 'consultation' as the pathway across this divide and 'participation' as the structural arch that supports the bridge. This formula is an accurate description of effective consultation processes.

Figure 4: Consultation bridge
(OECD 2001, p. 17)

For effective consultation, there needs to be participation with an element of redistribution of power. A consultative process without a redistribution of power is

frustrating for the powerless and likely to engender hostility and destroy any chance of establishing trust. Most consultation strategies are of a tokenistic nature – allowing people the opportunity to be heard and have a say, but lack the power to ensure these views are heeded. Levels of partnership are required to successfully develop a consultative process – a situation of give and take. There should be full disclosure of necessary information in a timely manner. Consultation should not be pursued if the process is likely to raise public expectations that will be difficult to fulfill, particularly if a decision has already been made. This is a common problem of most consultation strategies in the Victorian public service. Consultation need not be a matter of efficiency versus democracy, but of partnership between competing parties to reach a common understanding and shared ownership in the problem being addressed.

2.9 Identity

The notion of 'community of interest' has been widely discussed in the course of local government amalgamation processes. Community of interest denotes the sense of identity and belonging that has been an integral facet of local governance in Australia. This is particularly the case given the 'grass roots' characteristics of the local government system. It is the closest level of government to the people, and should reflect those local characteristics that form a community's identity. Marshall suggests that amalgamation proposals which demonstrate they do not undermine the existing communities of interest possess greater credibility with both governments and constituents (1998, p. 652).

Community of interest is a difficult concept to define. This leads to the next section in this chapter on wicked problems and the appropriateness of this concept with regard to local government boundary alignments. There is no single widely accepted definition, invariably several different layers of community of interest can be identified. The South Australian Commission of Inquiry identified nine such communities: neighbourhood, history, health, education, recreation, retail, work, economic development and environment. Furthermore, the committee noted these communities were likely to change over time (South Australian Government 1995). Community of interest is a flexible

concept that can be viewed from different perspectives, each of which may be valid. It can also be a subject of contention by opposing points of view.

Granovetter (1973) analyses why some communities organise for common goals easily and effectively whereas others seem unable to mobilise resources, even against dire threats. He uses the example of the Italian community in Boston's West End which were unable to even *form* an organisation to fight against the 'urban renewal' which ultimately destroyed it. Gans' study of the West End scenario contrasts 'lower', 'working' and 'middle' class subcultures, concluding that only the last provides sufficient trust in leaders and practice in working toward common goals to enable formation of an effective organisation. Thus, the working class West End could not resist urban renewal (Gans 1962, pp. 229-304). Yet, as Granovetter argues, there are numerous well-documented examples that show *some* working class communities have successfully mobilised against comparable or lesser threats (1973, p. 1373). He suggests a sharper analytical tool. An examination of the network of ties comprising a community to see whether aspects of its structure might facilitate or block organisation.

The phrase 'the hollowing out of the state' summarises many of the changes which have taken place. Rhodes (1996) says it refers to:
1. privatisation and limiting the scope and forms of public intervention;
2. the loss of functions by central and local government departments to alternative delivery systems (such as agencies);
3. the loss of functions by sovereign nations to international conditions; and
4. the limits set to the discretion of public servants through the new public management, with its emphasis on managerial accountability, and clearer political control through a sharper distinction between politics and administration.

As a result, the public service becomes both smaller and fragmented and the process of hollowing out raises several problems. These problems are of immediate concern: fragmentation, steering and accountability (Rhodes 1996, p. 661). Kettl argues that, as a result of contracting out, government agencies find themselves 'sitting on top of complex public-private relationships whose dimensions they may only vaguely understand' (1993,

pp. 206-7). As well as losing control, hollowing out also erodes accountability. Institutional complexity obscures who is accountable to whom for what. This loss of identity can be related to the introduction of Compulsory Competitive Tendering in Victorian local government.

Identity can be related to social capital in the community. The Organisation for Economic Cooperation and Development developed a definition of social capital:

> *Social capital is networks, together with shared norms, values and understanding, which facilitate co-operation within or among groups* (2001, p. 41).

Local government amalgamations had changed the nature of power relations between community members and council agencies. As Talbot and Walker suggest, these relationships were engendering feelings of hostility and anger (2006, p. 8). Talbot and Walker concluded that when people in this community were asked about the impact of these economic policy reforms, they reported that the changes had forced them to retreat from the civil society dimensions of their lives, and to focus more on meeting individual needs and demands. They had diminishing control over the structures around them, and they had less confidence in representative government and statutory authorities to represent their interests. Whereas community transactions were facilitated by social capital and civil society, they are now conducted on business principles. The consequence of policy changes have been to undermine people's sense of community and their ability to maintain their own social environment, particularly in the ways changes have reduced access to social resources and changed the nature of work to fragment family leisure time.

Dragadze (1996), writing about ethnic separatism, identifies self-determination movements as those organisations 'whose aim is to acquire power to govern without reference to the central power from which they want to secede'. For Dragadze, these groups use arguments to support their claims for 'special separateness' based on the tight composition of their unit and community identity, and that – even if some form of commonality can be identified – the central power has lost the moral authority to govern

them. Ahmed (1998) identified geography as playing an important part in the composition of groups that feel unconnected to the mainstream community.

This approach to understanding pro-autonomy movements is very relevant to the Hume and Delatite cases, with both the Sunbury and Mansfield communities asserting a cultural, economic, and political difference to the Hume and Benalla areas, and the loss of confidence in the respective councils to effectively administer on their behalf. Identity theory is drawn from attempts to understand the kinds of political movements that have developed in other nations, particularly 'balkanisation'. However, political separatism is not unknown to Australia, but has roots in the formation of the colonies as a nation, and within colonial and post-colonial government structures. One of the most enduring and ongoing calls for separation in Australia comes from Northern Queensland and Western Australia, which had a strong separatist movement during the late nineteenth century (Chen 2002, p. 10).

In her historical study of the North Queensland separatist movement, Doran (1981) reduced the complex arguments to four basic propositions are reflected in the Hume and Delatite cases: the geographical distance of Queensland made management unwieldy, expensive, and slow; a natural boundary existed between the two communities; the smaller community of the north could never achieve adequate political representation in government; and the nature of the people and activities of the north and south were fundamentally different and incompatible.

As described in the previous chapter, each of Doran's factors came to play in Delatite and Hume, although to different extents. This included the political impasse between the various districts cemented structurally through the composition of council, disputes over revenue sharing, development of infrastructure, the location of staff, and ensuring permanent representation that would not be eroded with future council elections.

Several different layers of community of interest can be identified at any point in time and these communities are likely to change over time. It is a flexible concept that can be

viewed from different perspectives, each of which may be valid. Through shared norms, values and understanding, social capital is developed through neighbourhoods, history, wealth, ethnicity, education, recreation, employment, retail activity, together with physical links such as transport, geology, geography, topography and environment. The Hume City Council and Delatite case studies demonstrate that political activism plays a part in mobilising perceptions of community of interest. All are factors that help to create a community of interest.

2.10 Wicked Problems

Many of society's pressing problems are characterised by high levels of complexity. This conflict relates to social or cultural values and nebulous concepts such as community of interest in local government amalgamation. In these most complex cases, the processes of defining shared values, common goals, desirable outcomes, and acceptable risks become political. Technical analyses alone, which cannot consider social values and deliberation, fail to provide an adequate decision-making framework. In these circumstances we have wicked problems. This chapter defines the term wicked problems in the context of local government amalgamations.

Complex decision making can take many forms, including high levels of risk and/or political uncertainty, social complexity, scope and scale of the issues involved, and absence of a clear public consensus on values, the nature of the problem, and/or acceptable solutions. Clearly, some public problems are more difficult to resolve than others.

For straightforward problems, scientific and factual analysis can serve as a basis for policy making with little controversy. At a medium level of complexity, public trust in the implementing institutions and their technical expertise is required. It is at the highest level of complexity and conflict that political forces overshadow technical analyses, making stakeholder involvement absolutely essential.

Wicked problems have a number of common characteristics, especially when compared with more normal decision problems. For example wicked problems, in contrast to tame problems are policy problems that can not be fully described. Rittel and Webber, both urban planners at the University of California, coined the term wicked in a meaning akin to that of malignant (in contrast to benign) or vicious (like a circle) or tricky (like a leprechaun) or aggressive (like a lion, in contrast to the docility of lamb) (1973, p. 160). Wicked problems have no objective definition of equity, no correct/false answers and no solutions in the sense of definitive and objective answers (Rittel & Webber 1973). They are often formed at the juncture where goal-formulation, problem-definition and equity issues meet. The types of issues planners deal with are inherently wicked – they are societal problems, that are inherently different from the tame problems encountered by scientists and engineers.

The ten criteria identified by Rittel and Webber to describe wicked problems are:

1. Wicked problems are difficult to define. There is no definitive formulation of the problem. In a wicked problem, every question asking for additional information depends upon the understanding of the problem, and its resolution, at that point in time. The information needed to *understand* the problem depends on one's idea to *solving* it. In order to adequately *describe* a wicked problem in sufficient detail, all conceivable *solutions* must be known ahead of time. Conklin (2006) argues this criteria means you don't understand the problem until you have developed a solution, as even the solution exposes new aspects of the problem requiring further adjustments to the potential solution.

2. Wicked problems have a no stopping rule. As there are no criteria that tell when the solution or a solution has been found in dealing with wicked problems, there is no end point unless you run out of money, time or energy (Conklin 2006). You can always invest more efforts to increase the chances of finding a better solution. The process of solving the problem is identical with the process of understanding its nature.

3. Solutions to wicked problems are not true/false, but expressed as better or worse, or good or bad or, satisfying or good enough. The parties involved in the wicked

problem are equally equipped, interested, and entitled to judge the solutions. Their judgments are likely to differ widely in accordance with their community or personal interests and values.

4. No immediate and no ultimate test of a solution. With tame problems, one can immediately determine how good a solution has been. With wicked problems, any solution implemented will generate waves of consequences over an extended period of time. Additionally, there is no way of tracing all the waves of repercussions until they have completely run out, which may take decades or even centuries. For instance, locating a hazardous waste facility may have repercussions for several generations of local residents.

5. Any solution is a 'one-shot operation'. Every attempt at a solution has consequences. There is no opportunity to learn by trial and error. Every implemented solution is leaves 'traces' that cannot be undone. Its consequences are generally irreversible and they generate long half-lives. Every attempt to correct a decision and its undesired outcomes poses another wicked problem dilemma. For example as Rittel & Webber say 'one cannot build a freeway to see how it works' (1973, p. 163).

6. No well described set of criteria to assess the success of any solution. In the case of wicked problems, there are no criteria that enable someone to prove that all solutions have been considered. With these ill-defined problems and solutions, the set of feasible plans of action relies on realistic judgment and on the amount of trust and credibility between policy makers and the public, which may be small or nonexistent.

7. Every problem is essentially unique and novel. Conklin suggests there are so many factors and conditions all embedded in a dynamic social context, that no two wicked problems are alike, and the solutions to them will always be custom designed and fitted (2006). As suggested by Conklin, over time wisdom and experience is accumulated about the approach to a wicked problem, but despite its similarity to previous problems, there might be an additional distinguishing feature that makes every situation one-of-a-kind.

8. Every problem is a symptom of another problem. Problems can be described as discrepancies between the current situation and the state as it ought to be. The process of resolving the problem starts with searching for causal explanation of the discrepancy. Removing that cause poses another problem of which the original problem is a 'symptom.' In turn, this newly formulated problem can be considered the symptom of still another 'higher level' problem. Each problem is related.

9. The cause of the problem can be resolved in many ways. There may be no solutions or there may be a host of potential solutions. The choice of explanation determines the nature of the problem's resolution, this is a matter of judgement to determine which is suitable and which should be pursued and implemented. The choice of explanation is arbitrary, and attitudinal criteria guide the decision maker's choice.

10. The planner has no right to be wrong. In science, solutions to problems are considered hypotheses that are offered for refutation. The scientific community does not blame its members for suggesting hypotheses that are later refuted. The kinds of problems planners deal with – societal problems – are inherently different from the problems that scientists and perhaps engineers had to deal with (Rittel & Webber 1973). In dealing with policy issues as they relate to wicked problems, however, planners are liable for the consequences of their action (or inaction).

A problem does not need to possess all ten of the characteristics to be considered wicked. Some problems are a combination of tame and wicked problems. Conklin suggests most problems have degrees of wickedness, however because tame problems are easier to solve, reinforced by a lack of understanding about wicked problem dynamics, there is a tendency to deny the wickedness (2006). This denial is due to a reluctance to tackle problems that by definition cannot be solved.

Given the social complexity of local government amalgamations the application of wicked problem criteria can be justified. Local government amalgamations involve the

aspects of organisational, administrative and service efficiency issues interacting in complex ways with political interests, social values and factors such as trust, identity and participation. Some of the problems associated with amalgamation may not be capable of being resolved. There are also often internally conflicting goals or objectives within the de-amalgamation proponents. There is tension between the goal of achieving economies of scale whilst providing governance for all sections of the community. It is the interdependencies, multiple causes and internally conflicting goals of wicked problems that make them hard to clearly define. There is disagreement among stakeholders which reflects the different emphasis they place on the various causal factors. Solutions to aspects of local governance concerns involve coordinated action by a range of stakeholders, including organisations (government agencies at the federal, state and local levels), non-profit organisations, private businesses and individuals.

The Australian Public Service Commission released a report in 2007 which identified public policy issues which are highly resistant to resolution. The purpose of the report was to stimulate debate around what is needed for the successful tackling of wicked problems rather than to provide all the answers. The report comments that taming wicked problems will require a reassessment of some of the traditional ways of working and solving problems in the public service (Australian Public Service Commission 2007, p. iii). Part of the solution to wicked problems involves changing the behaviour of groups of citizens or all citizens. It nominates climate change, obesity, indigenous disadvantage and land degradation as four key wicked problems at a commonwealth level. Issues such as forestry, water, salinity, urban planning and local government amalgamations are examples of common wicked problems at a state government level. The Australian Public Service Commission concludes that most of the literature advocates a collaborative approach to dealing with wicked problems, but some research acknowledges that other approaches are possible.

Roberts explores the strategies that are available for managing wicked problems, she suggests the key consideration is how power is dispersed among the stakeholders and

current approaches fail in they centre on how power is contested. She identifies three possible strategies; authoritative, competitive and collaborative (2000).

Authoritative strategies give the problem to some group (or an individual), who take on the problem-solving process while others agree to abide by its decisions. This small set of stakeholders will be selected based on their knowledge and expertise, organisational position in the hierarchy, information or coercive power. For this method to be successful, other stakeholders must acquiesce in the transfer of power to the anointed few and agree or be forced to abide by their decisions. Obviously this method fails the test of Arnstein's Ladder of Citizen Participation, and would result in poor relationships and low trust between the participants. Despite this assessment, Roberts suggests key advantages of this authoritative method include efficiency and timeliness of problem solving because if a large number of people are 'in on the action' it is hard to get anything done. Whilst problem solving can be quicker and less contentious with fewer and more qualified people, key disadvantages include the potential disregard for important issues and considerations, the result being a wrong conclusion or wrong assumption of the problem. There is a tendency for authorities and experts to search for solutions within their narrow bandwidth of experience. Roberts argues if problem-solving is left to experts, especially in a democratic society, then citizens can become further distanced or alienated from the important issues of their time (2000). Another disadvantage is the commitment to the proposed solution may be weak which may or may not matter depending on the issue. This authoritative method is the method used during local government amalgamations in Victoria.

Roberts' second strategy for handling wicked problems seeks to harness the competitive desire to control power, influence and market share – stakeholders following this strategy generally assume a win-lose outcome or a 'zero-sum game'. She suggests key advantages of this method include the creation of new ideas and innovation and the provision of choice through competitive hostility. Another advantage is they are not afraid to challenge the institutionalisation of power. Key disadvantages include conflict and stalemates that occur when stakeholders have enough power to block one another but not

enough power to achieve their agenda. Competition can also consume resources that could be spent on problem-solving.

Roberts suggests the final method of collaboration as being the most effective in dealing with wicked problems. In this method there are many stakeholders and power is dispersed. This method is particularly relevant where part of the solution to the problem involves sustained behavioural change by many stakeholders and/or citizens. At the core of collaboration is a 'win-win' view of problem solving. By joining forces through partnerships, joint ventures or whole of (or joined up) government parties can accomplish more as a collective than they can achieve by acting as independent agents (Roberts 2000). In addition to also suggesting a collaborative strategy for handling wicked problems, Conklin suggests that by taming the wickedness of the problem, so the focus is on one smaller aspect, is a more manageable way of handling the situation (2006).

Key advantages of the collaborative strategy identified by Roberts includes higher stakeholder commitment, more comprehensive and effective solutions, and fewer resources having to be used by any one stakeholder. Key disadvantages include increased transaction costs (these costs can be significant) through delays and resources and the fact that the skills of collaboration are in limited supply. In worst cases collaboration can end poorly – dialogue can turn into conflict, hardened positions and stalemate.

Collaborative strategies are the best approach to tackling wicked problems which require behavioural change as part of their solution. This conclusion is reiterated by literature from the United States on conflict surrounding forestry management in California (Stewart et al. 2004), intergovernmental cooperation (Bardach 1998), leadership and conflict resolution (Chrislip & Larson 1994) and negotiation of complex problems (Gray 1989). Collaboration can take many forms including alliances and partnerships. Their purpose is to reduce duplication of services, provide cost savings, access innovation, enhance skills development and open the way for local communities to share ideas and connect with others.

Resource sharing is not a new concept to local government. Generally opportunistic in nature, where councils have identified a common need and collaborated to develop a shared solution. Generally these have focused on more practical measures, such as sharing library services or plant and equipment (New South Wales Department of Local Government 2007, p. 8). The New South Wales Department of Local Government identified extensions to resource sharing in all areas of local government in New South Wales, this is shown in Figure 5, below.
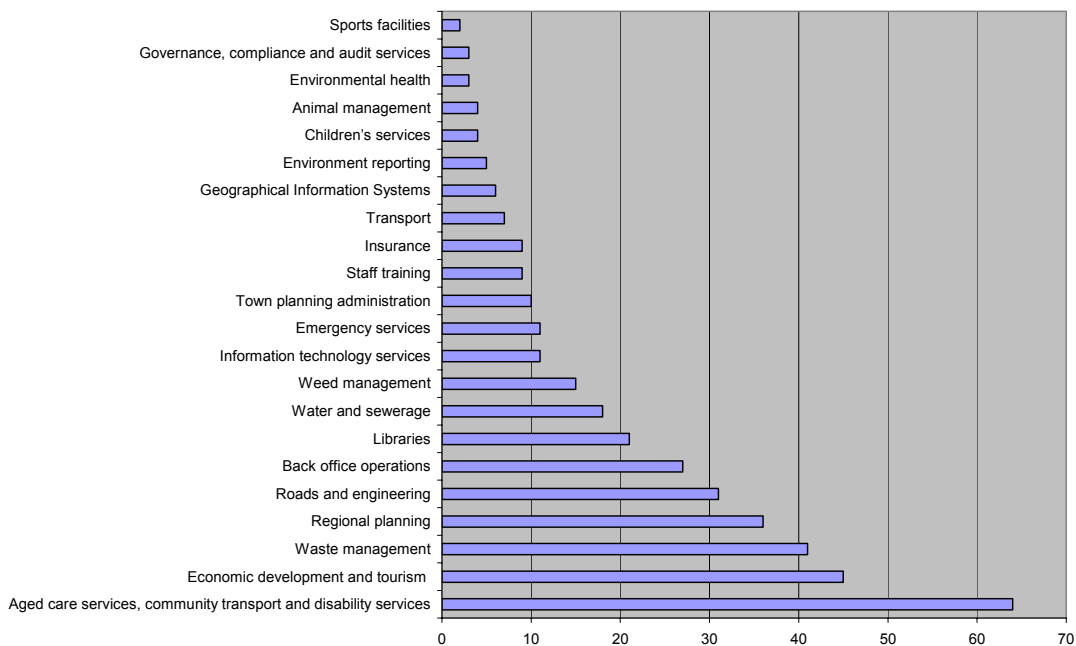
Figure 5: New South Wales local government resource sharing partnerships
(New South Wales Department of Local Government 2007)

The handling of wicked problems requires holistic rather than linear thinking. This thinking must be capable of grasping the big picture, including the interrelationships between the full range of causal factors and policy objectives. By their nature, wicked problems are imperfectly understood, and so initial planning boundaries that are drawn too narrowly may lead to a neglect of what is important in handling the wicked issues. There is also a need to maintaining open mind and flexibility about what the problem actually is. As the Australian Public Service Commission comments 'unintended consequences tend to occur even more frequently if the problem has been artificially

tamed, that is, it has been too narrowly addressed and the multiple causes and interconnections not fully explored prior to measures being introduced' (Australian Public Service Commission 2007).

A key conclusion of much of the literature about wicked policy problems is that effectively engaging the full range of stakeholders in the search for solutions is crucial. Engagement is most important when the active participation and cooperation of citizens is required as part of the solution.

Problems with characteristics described as wicked cannot be addressed through technical analysis. Wicked problems are societal problems, inherently different to the tame problems encountered by scientists and engineers. Whilst Roberts has identified three strategies to handle wicked problems, two of them, authoritative and competitive, are unlikely to be useful in providing long term resolution to wicked problems in local government. Collaboration is one way of taming wicked problems in local government. Not only can it achieve a 'win-win' outcome but it forges a partnership between competitive parties that may have been previously hostile. This strategy is compatible with the most desirable outcomes identified throughout the key concepts identified in this chapter of consultation, identity, trust, governance and networks. In this thesis these ideas will be tested in the assessment of case studies at Hume City Council in Melbourne's north-west and Delatite Shire in Victoria's north-east, two wicked problems addressed by government in different ways.

Chapter 3: Case Studies

3.1 Introduction

This chapter describes two case studies – the major case study of Hume City Council and a secondary case study of Delatite which leads to suggested comparisons. It first explores the public debate and political strategies employed to advance the de-amalgamation argument for the Hume City Council case study, examining the problems associated with forming a community of interest within the new council. Overall, the case presents an interesting comparison with other de-amalgamation movements within Victoria, interstate and overseas. In particular, this chapter also includes a detailed assessment of Delatite Shire, the only successful de-amalgamation push in Victoria since the boundary reforms of the 1990s. The chapter concludes that, while practical limitations in effective public administration in Victorian local government reform resulted from the Hume amalgamation, much of the political debate surrounding de-amalgamation is based on the premise that separation was the only solution for significant financial and structural problems within the council. This will be further explored in Chapter 6.
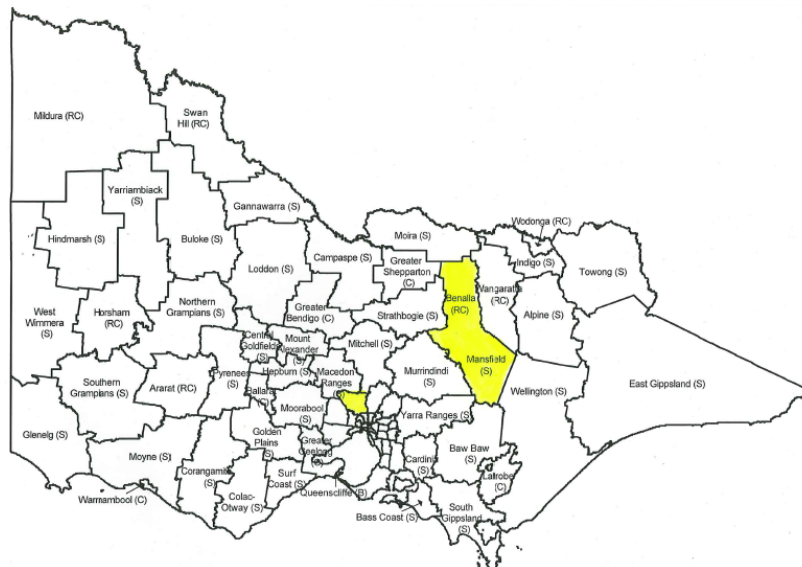
Figure 6: Hume City Council and Delatite Shires in Victorian context

3.2 Hume City Council – description

The case study of Hume City Council was selected for this thesis as this is the pre-eminent community governance dispute in Victoria, and its location at the outer suburban/rural interface accentuates many of the geospatial, planning and community issues that are relevant in such disputes. This case study analysis establishes a framework for discussion about the relative merits of governance practices since the Victorian amalgamations. The Hume City Council case study supports the claim that in certain instances there are wicked problems that will remain unresolved. In this situation, an important conclusion will be about how such wicked problems can be effectively managed.

Sunbury is geographically isolated from Melbourne and the Hume corridor and will remain so under historical and current planning regimes. In the period 1994 to 2006, local and state government were in conflict about the administration of Sunbury. Since 1994, Sunbury residents have been actively engaging policy makers regarding their governance structures, pressing for the establishment of a separate Sunbury Shire. The Shire of Bulla made a submission to the Local Government Board in August 1994 proposing a municipality called 'City of Woodlands' that included Sunbury, Craigieburn, Greenvale, Bulla, Attwood and Roxburgh Park (Shire of Bulla, 1994). This proposal was partly accepted by the Victorian Government who, in December 1994, established a municipality named the 'City of Hume' (later to become officially known as 'Hume City Council') with the townships described by the 'City of Woodlands' proposal together with Broadmeadows, Westmeadows, Gladstone Park, Campbellfield and Somerton.

Prior to Hume City Council's establishment, and as part of the state-wide review of local government, the Local Government Board released the *Middle and Outer Melbourne: Interim Report* in October 1994. For the geographic area that is now occupied by Hume City Council the Local Government Board recommended 'part of the Shire of Bulla east of Deep Creek' become part of the proposed Hume City Council, and 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' (Local Government Board 1994, October, p.82). This is shown in Figure 7. However a decision had already been made at the direction from the Minister for Local Government in August 1994 when he did not include Sunbury in the scope for the *North Central Victoria Review* (Local Government Board, 1994, December, p.5).

West of Deep Creek to be considered as part of the North Central Review

East of Deep Creek to become part of the proposed Hume City Council
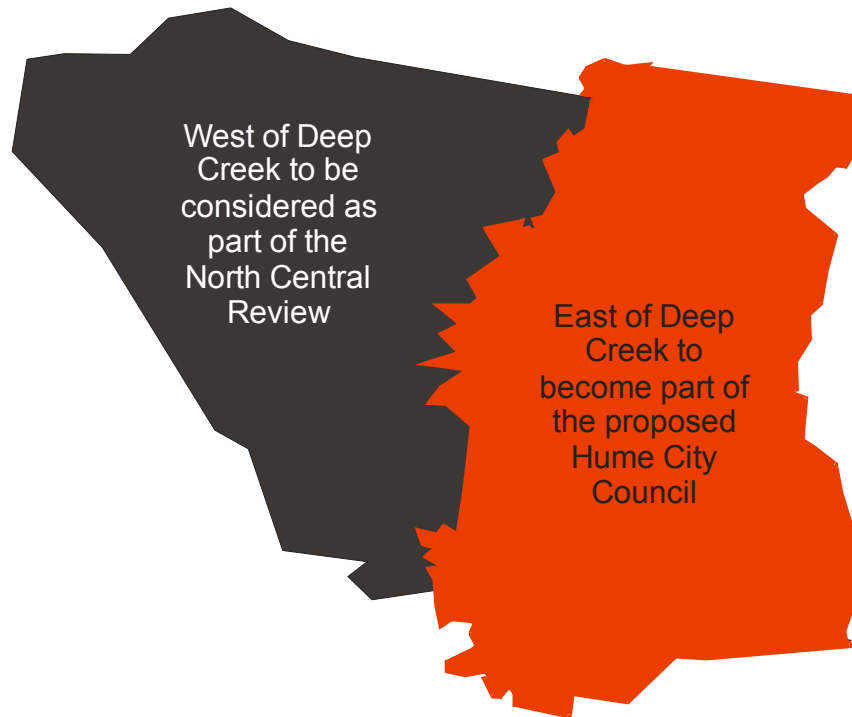
Figure 7: Local Government Board Interim Report Recommendations for the geographic area that is now occupied by Hume City Council
(Local Government Board, 1994, October, p.82)

When the *Middle and Outer Melbourne*: *Final Report* was released only one month later in November 1994, it recommended '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 Hume City Council' (Local Government Board 1994, November, p.11). This change in direction was in the context of a whirlwind of activity that included the completion of the *North Central Victoria Review*, which was released as an interim report in November 1994 and as a final report in December 1994 (Local Government Board, 1994, December).

Whilst the *North Central Victoria Review* did not include Sunbury in its scope of investigation the final report noted:

> *Following the release of the North Central Victoria Review Interim Report, the Board received over 1,200 form letters from Sunbury residents seeking inclusion of the township in the proposed Macedon Ranges* (Local Government Board, 1994, December, p.18).

The *North Central Victoria Review* noted that whilst communities of interest may exist between the Sunbury township and the communities to the north, two issues made this undesirable:

> 1. *The management of the environmentally sensitive areas along Deep Creek may have suffered if the area was split between two municipalities; and*
>
> 2. *The noise contours from aircraft operations at Melbourne Airport, particularly with the planned additional runway capacity, affect that part of the former Shire of Bulla west of Deep Creek including Sunbury township* (Local Government Board, 1994, December, p.18).

For these reasons the *Middle and Outer Melbourne*: *Final Report* and the *North Central Victoria Review Final Report* recommended the Sunbury township be included in the 'City of Hume'.

Following the release of the *Middle and Outer Melbourne*: *Final Report* the Shire of Bulla submitted its preference for the parts of the Shire to remain as one, in contrast to previous recommendations for a 'Shire of Woodlands'. This recommendation was in recognition that there was an agenda being driven by the Local Government Board that would be adopted quickly by State Government (Interview, 2008, participant CB).

Indeed only two months after the interim report and less than a month after the final report, the State Government had already acted. Hume City Council was gazetted on 15 December 1994 as a result of amalgamation of the Shire of Bulla with part of the City of Broadmeadows and part of the City of Keilor. In the space of three months the reforms to local government boundaries were complete. This rapid pace of reform had immediate

consequences. The elected Councillors were dismissed and Commissioners appointed from the period from the establishment of Hume City Council to the return of elected Councillors, which occurred in 1997. The first elected Hume City Council saw two Councillors represent Sunbury, out of a total of eight Councillors. During the first term of Council each of the Sunbury Councillors served a one-year term as Mayor of Hume City Council. Since amalgamation, Sunbury's prominence in Hume City Council has diminished and in the period 1999 to 2008 Sunbury's Councillors have only been Mayor for two of the ten years (Hume City Council, 2008).

The amalgamation decision infuriated groups such as the Sunbury Residents Association; a small resident advocacy group formed in 1974. Some suggest this organisation has a membership base and leadership group that is largely unchanged since its formation in 1974 (Interview, 2008, participant AB). However it is the only resident advocacy group that attempts to represent the views of Sunbury residents. The Association lobbied strongly for separation from Hume, culminating in a State Government review of governance in 2000. This review was part of a commitment made by Steve Bracks who when he was Opposition Leader, advised the Secretary of the Sunbury Residents Association in August 1999 that:

> *Labor will consider change to municipal boundaries where there is a clear and definable case for modification(s). In regard to Sunbury, I believe there is a sufficient local ground swell for a separate municipality from the City of Hume, to warrant a poll of Sunbury and district residents. Under a Bracks Labor Government this poll would be conducted in the first year of our first term in office, requiring more than 50 percent of those polled in favour of a change before any boundary change is undertaken* (Bracks, 1999).

Following the 1999 State Election and the swearing-in of the Bracks Labor Government, in October 1999 the Sunbury Residents Association made a submission to the new Minister for Local Government which sought a poll of the Sunbury community for a separate municipality bounded by the Shires of Melton, Macedon Ranges and Deep Creek. In June 2000 the State Government appointed a Panel under the *Local Government Act* with a terms of reference and a mission to prepare a report on 'the

feasibility and viability of Hume City Council becoming two municipalities' (Male, 2000, October). With broad terms of reference (see Figure 8) the Panel quickly focused on the task of providing certainty as to the ongoing financial sustainability of a new 'Shire of Sunbury'. The Panel commented:

> *We believe that the proposal 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* (Male, 2000, October, p. cover letter)

The review was undertaken by two respected Panel members, Roger Male (Chair) and Julian Stock. Mr Stock had previous experiences working in local government as a Commissioner of Banyule for three years, and had an active role in the Australian Shareholders Association and State Library Victoria. Mr Male had been a Taxation Partner in the accounting firm Coopers & Lybrand (later to become Price Waterhouse Coopers). The Panel conducted public consultations from June to October 2000 and submissions were invited from members of the public. Thirty-five written submissions were received.

The review completed in October 2000, which was to be held in conjunction with a poll of Sunbury residents, identified a separate 'Sunbury Shire' (the existing Hume City Council boundary to Deep Creek). It concluded that 'Sunbury Shire' would only be viable if rates were increased by 63 percent or services were reduced significantly; and the remaining municipality to the east of Deep Creek would gain a financial benefit from not having to cross-subsidise Sunbury. Further conclusions of the report were that a 'Sunbury Shire' would:

- incur an operating deficit of $2.13 million and after capital works a total deficit of $3.74 million;
- require an increased rate of $363 per property (all classes of property); and
- require a one-off establishment cost of $2.06 million for 'considerable legal, industrial and accounting hurdles' (Male & Stock 2000, October, p.39).

LOCAL GOVERNMENT ACT 1989

APPOINTMENT OF A LOCAL GOVERNMENT PANEL

I, BOB CAMERON, Minister for Local Government, acting under section 220A of the **Local Government Act 1989**, appoint Mr Roger Male and Mr Julian Stock to be a Local Government Panel to conduct a review of 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.
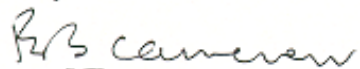
In undertaking the review the panel is requested to take into account the following –

1. the financial, economic and social impacts of any proposal being considered, on the residents within the areas covered by the review. In particular the review is required to determine the extent of any impact, including any financial cost, on the Sunbury residents and ratepayers 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;

2. the impact of any proposal on the accessibility to and the effective and efficient delivery of local government services in the areas covered by the review. In particular, the review is required to determine whether and how any changes would effect residents in terms of service delivery and their cost to local residents;

3. the governance impacts of any proposal;

4. sociological, demographic, topographic, economic, and employment patterns and factors in the areas covered by the review;

5. community or diversity of interest in the areas covered by the review, including community identity, expectations and involvement;

6. the sustainable economic development of the areas covered by the review;

7. future infrastructure requirements of the areas covered by the review;

8. the administrative, financial and rating impact of any proposal;

9. any other relevant matters that may arise as a result of this review.

The Panel is to make recommendations to the Minister for Local Government on any action which may need to be taken on matters which may result from the Panel's enquiries.

Mr Roger Male will be the Chairperson of the Panel. The remuneration, including travelling, accommodation, and out of pocket expenses payable to each member of the Panel, shall be in accordance with State Government approved guidelines for appointments to panels and tribunals.

The Panel is directed to provide a report on the above issues to the Minister for Local Government by 13 October 2000 or on a later date as approved by the Minister.

Bob Cameron MP
Minister for Local Government

Figure 8: Hume City Council Panel Terms of Reference
(Male, 2000, October, Attachment 1)

Various groups disputed these figures as will be discussed in later chapters. The Panel's data collection was criticised for its inaccuracy (Interview, 2008, participants AC and AA). This inaccuracy can be traced to the use of budget data during a period of unpredictable revenue and expenditure expectations. Using this budget data the Panel concluded that:

> *Separation of the Hume City Council into two municipalities should not occur, due to the significant detrimental 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 entities. However, 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 costs involved. Further, Hume City Council should be encouraged to develop strategies that recognise and respond to the strength of pride and identity obviously felt by residents of Sunbury and district* (Male, 2000, October, p.iii).

This conclusion did not satisfy the Sunbury Residents Association which continued to lobby for de-amalgamation. It is interesting to contrast the approach taken by the Sunbury Residents Association with the approach taken by the Mansfield and District Ratepayers Association with regard to the Delatite case study, which is discussed later in this chapter. The Panel commented about the Sunbury Residents Association:

> *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 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 Sunbury Residents Association on three occasions, conversed by telephone and received a number of written submissions* (Male, 2000, October, p.1).

As part of the commitment to review the governance of Sunbury, a state government sponsored poll was to be conducted. This was never held. There was substantial conflict over who was to be surveyed and the legality of a poll. The Sunbury Residents Association pushed strongly for a poll of only Sunbury residents whereas the Minister

and Department would only survey the whole Hume municipality. The refusal to hold a poll of only Sunbury residents stems from provisions in the *Local Government Act* that requires a poll to be carried out across a municipality. The Minister claimed to not have the powers to compel a poll of only Sunbury residents. Section 43 of the Local Government Act allows the Governor in Council (which is quorum of two Ministers and the Victorian Governor) to make an order to give directions in connection with any election or poll to any Council, as long as the method of counting of votes, as specified by the *Local Government Act* is not changed. An example is the dismissal of a Council and a subsequent general election. As long as the method of voting was not changed (compulsory, one vote and one value etc.) then a poll could have been called by the Minister and held. This legality was not suggested and the issue lapsed until 2004.

In August 2004 Hume City Council sponsored a survey of residents in conjunction with Leader Newspapers. This telephone survey of 350 Sunbury residents found 80 percent supported the creation of a 'Shire of Sunbury'. In addition, it identified growing dissatisfaction with the current governance structures (Hume City Council, 2004, p.3). The methodology used by Hume City Council for this survey was consistent with that used by Local Government Victoria's annual 'Community Satisfaction' surveys. The report commented:

> *This sample was originally selected by the Department of Infrastructure as it is statistically representative and has virtually the same degree of accuracy whether the total population of the individual local government is 10,000 or 100,000. That is, the statistical variance between different size populations is negligible, when comparing populations of more than 1,000 people* (Hume City Council, 2004, p.3).

A representative random sample of telephone numbers was drawn from each of the two wards that represent Sunbury: Evans Ward (177 interviews) and Jacksons Ward (178 interviews). On the eve of the telephone interviews, the Sunbury Residents Association distributed a flier to residents that outlined some perceptions of the lack of desirability of Sunbury being part of Hume Council. This flier almost certainly had an impact on the

survey results. Of those surveyed most respondents owned their own home (93 percent), and half of the respondents have lived in Sunbury for at least sixteen years; 38 percent in excess of 20 years and 14 percent between 16-20 years.

Those surveyed who were willing to pay for a separate 'Shire of Sunbury' were significant; 48 percent would 'strongly support' or 'slightly support' a rate increase of $350 per annum, and 59 percent would 'strongly support' or 'slightly support' a rate increase of $200 per annum, shown in Figure 9.
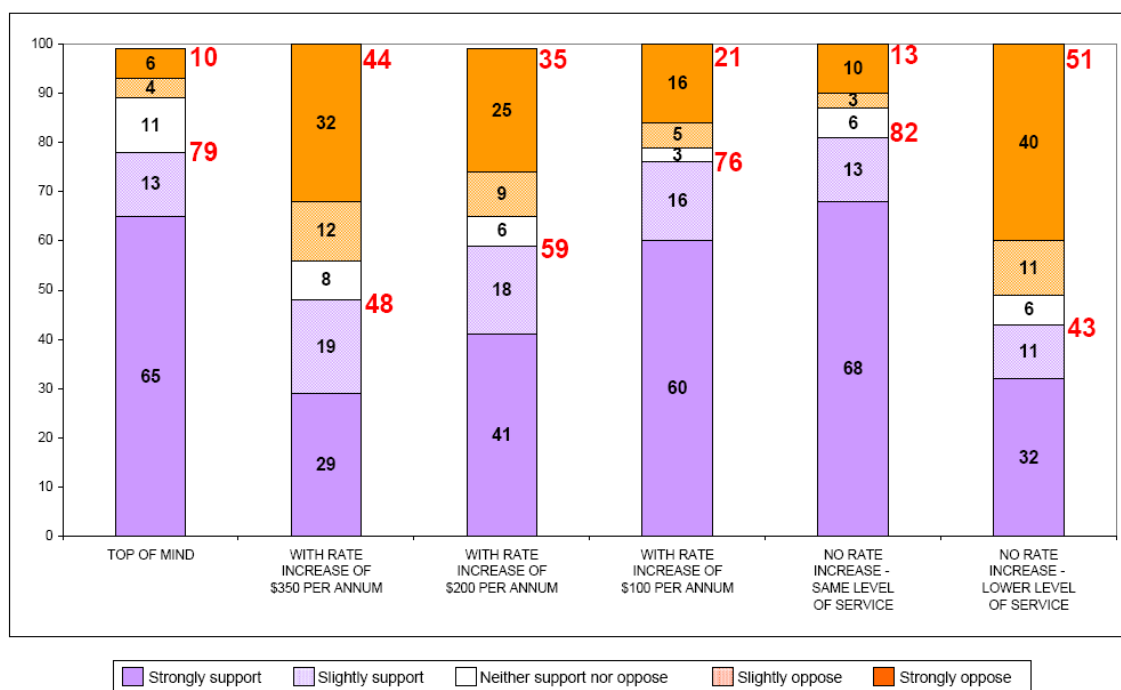
Figure 9: Support for a separate Shire of Sunbury
(Hume City Council, 2004, p.9)

A substantially different satisfaction rating was found in the August 2004 survey compared to previous local government surveys completed by Local Government Victoria, shown in Figure 10, including a survey completed only months earlier. In the period 2001-2004 Sunbury residents satisfaction had been comparable to the remainder of the municipality, however the survey conducted in August 2004 was a considerable anomaly compared to the previous surveys. The report commented:

The results achieved for overall community satisfaction in this Sunbury specific research conducted in August 2004, are clearly very strange. The level of satisfaction has dropped off dramatically, declining from almost half of Sunbury residents indicating satisfaction (48 percent 'excellent or good') and one quarter indicating dissatisfaction (26 percent 'needs improvement'). The results are now reversed with less than one fifth of Sunbury's residents being satisfied overall (only 18 percent 'excellent or good') and over half rating the Council's performance as needing improvement (54 percent). These changes are all statistically significant. This dramatic change in results indicates an extreme change in the environment, particularly as this transformation has occurred in a six month period (a very short span of time when considering changes to resident satisfaction with councils). We believe these results are very likely to have been influenced by the letterbox drop of the flier published by the Sunbury Residents Association which was delivered immediately prior to the surveying period. This hypothesis is also supported by the fact that some of the comments made by respondents seem to reflect the feelings expressed in the flier (Hume City Council, 2004, p.7).

As a result of the actions of the Sunbury Residents Association to letterbox residents on the eve of the poll, the result was significantly distorted and was labelled 'strange' and an 'anomaly' by the respected consultant engaged by Hume City Council to undertake the survey (Hume City Council, 2004, pp.6-7).

Despite concerns about the integrity of the data collected, the survey concluded that:

Support for a new council of Sunbury appears to be very strong throughout the general Sunbury community. We believe that the flier dropped into letterboxes immediately prior to the survey has had a major impact on the results (evidenced by the dramatic change in the 'overall satisfaction' result) however the strong level of support indicated for the new council cannot be dismissed. Even discounting for the influence of the flier, the survey results indicate very strong support for the new council. While support for the new council does exist, it should be noted that residents do not wish to have a major rate increase.

> *Nevertheless, strong support still exists for less substantial rate increases. It is also very clear from the results that Sunbury residents do not show the same level of support if their service levels were to decrease. In fact, when asked if they would support the new council if the level of services significantly declined, half of the respondents say they would oppose* (Hume City Council, 2004, p.10).
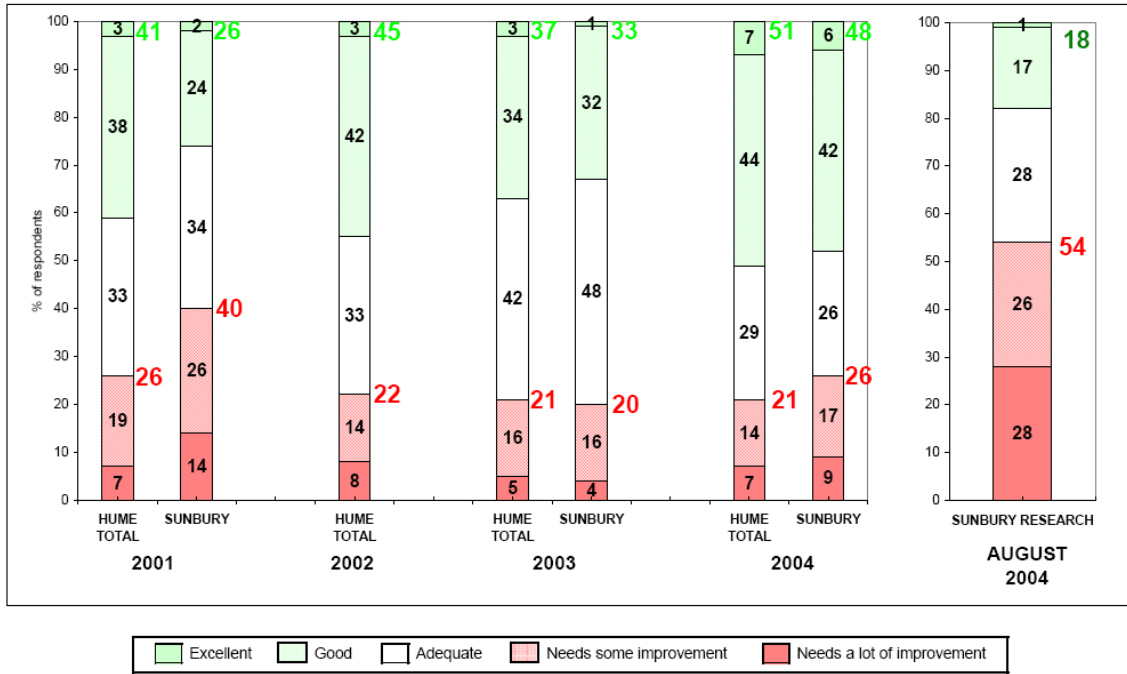
Figure 10: Overall community satisfaction from 2001-2004
(Hume City Council, 2004, p.6)

Since completing the Panel report in 2000, and despite the Council's survey of residents in 2004, the government has not conducted any further reviews even though updated and more reliable data has become available. This new data has uncovered the weaknesses in the data used for analysis (sourced at the lowest ebb of Hume City council expenditures), and Sunbury's population growth by 20 percent from 28,383 in 2000 to 33,984 in 2006, arguably strengthening the case for de-amalgamation. These data sources are detailed further in Chapter 5.

3.3. Hume City Council – Planning Issues

In the early 1960s Sunbury was a small country town. With a population of 3,131 residents at the 1961 Census, its population had been largely unchanged in the period since the early 1900s (Australian Bureau of Statistics, 1961, June). Following a trend experienced in western cities internationally, the rise of the automobile and a growing desire for the 'Great Australian Dream' fuelled a suburban exodus (Victorian Government, 1998, p.3). Combined with government settlement programs and policies, the peri-urban areas and satellite cities of metropolitan Melbourne began to grow. For Sunbury this resulted in urban planning expectations of 100,000 residents with high speed connections into the Melbourne metropolitan area, permanently separated by the flight paths to the new Melbourne International 'Jetport' (Melbourne Metropolitan Board of Works, 1971).

With a State Government fostering satellite city development, along the path of the Garden City movement in the United Kingdom, Sunbury witnessed dramatic population growth – albeit not reaching the stratospheric 100,000 population target. In the period from 1961, Sunbury's population had swelled by 29,165 new residents to 32,296 people in 2006 (Australian Bureau of Statistics, 2006). This growth was twelve new residents per week averaged over a forty-five year period.

During this growth, Sunbury retained an independence from Melbourne and the local administration, the Shire of Bulla, created the descriptive byline 'City Living, Country Style'. This emotional attachment to Sunbury's country town origins continues to this day. It is witnessed in the ongoing resistance to amalgamation, largely attributed to a perceived loss of services and government staff from the region. But it is also due to the distinction in regard to the differences in communities of interest between Sunbury and the remainder of Hume City Council. To the Panel appointed to investigate de-amalgamation, this presented itself in a resident base that rates their semi-rural lifestyle highly, which translates into an enthusiastic pride in, and strong desire to protect, their community (Male & Stock 2000, October). This geo-spatial aspect is embedded in the planning issues discussed in this chapter.

3.3.1 Early Beginnings

Sunbury was the administrative centre for the former Shire of Bulla, which was one of Victoria's first municipalities. The Bulla Roads District was established in September 1862 and following the passage of the *Road District and Shires Act 1863*, it became a Shire in March 1866 (Shire of Bulla, 1994). Ninety years later, in 1956, the Shire offices were transferred from Bulla to Sunbury (Monash University, 1999). This preceded the Bolte and Hamer Government's push for 'satellite cities' in Melbourne's west and north.

3.3.2 Historical Satellite Cities and Green Wedges

The urban form of Melbourne developed over the last one hundred and fifty years along the major transport routes radiating outward from the central city. Since the 1960s those responsible for the planning of Melbourne have recognised the importance of maintaining access to rural land close to the city. During the 1960s, a policy was adopted by the Victorian Government of focussing new urban development along growth corridors and protecting and preserving the areas in between for non-urban uses. These areas have become known as 'green wedges'.

The concept of green wedges, or a green belt surrounding the urban area, owes much to a fusion of the ideas of some of the pioneers of urban planning thought, Patrick Geddes (1915), Ebenezer Howard (1945), and Lewis Mumford (1961). An important influence on Melbourne's green wedges was Patrick Abercrombie Greater London Plan of 1944, proposed that a green belt be designated around built-up London (Abercrombie, 1944). Buxton notes Melbourne's green wedges are a distinctive feature of Melbourne when compared with other metropolitan areas in Australia, and follow a form of development pursued by a limited number of overseas cities (Buxton, 2002, December, p.i).

Melbourne's strategic land use and statutory planning owes much to its British origins, and this extends to the adoption and implementation of the principle of New Towns, or satellite cities. In England these were initiated through legislation, originally through the

New Towns Act in 1946, and later through the *Town Development Act* in 1952. The New Town idea was derived from Ebenezer Howard and the Garden City movement (Howard, 1945).

In May 1966, the Victorian Minister for Local Government, Rupert Hamer, introduced the notion of the protection of the non-urban areas of metropolitan Melbourne (Buxton, 2002, December, p.ii). This became a formal Victorian Government policy in 1969, and was further developed by the Melbourne Metropolitan Board of Works (MMBW) in the 1971 *Planning Policies for the Melbourne Metropolitan Region* (Melbourne Metropolitan Board of Works, 1971). This planning strategy continued in various forms in subsequent plans through the 1970s, 1980s and was still present in the Kennett Government's metropolitan planning policy *Living Suburbs* in 1995 (Buxton, 2002, December, p.iii).

In the terms of reference to the MMBW's 1967 study, Premier Rupert Hamer stated:

> *A widely dispersed metropolis, unless carefully planned, raises a threat to the surrounding countryside…. nobody could happily contemplate a future metropolis of seemingly endless suburbia spreading outwards indefinitely. It must be strongly emphasised that future planning should take full account of the surrounding countryside as a vital part of the metropolitan environment…I would urge the Board to give particular attention to the possibility of urban decentralisation with provision for 'satellite' towns of, say, 100,000 or even greater population each based on a sizeable industrial and commercial area and separated from the existing metropolis, and from each other, by broad tracts of open country, natural parkland and recreation space* (Melbourne Metropolitan Board of Works, 1967, p.29).

In this report, the MMBW considered three outward growth alternatives. These were controlled outward growth, satellite cities, and growth corridors. The first would pose major transportation difficulties and require a minimum degree of planning direction. The MMBW adopted the principle of corridor development with limited satellite city growth in the north and west (Melbourne Metropolitan Board of Works, 1967, p.16).

In 1969 the Town and Country Planning Board designated areas at Werribee, Melton, Sunbury, Craigieburn and Whittlesea for future metropolitan growth (see Figure 11). In their feasibility study on the establishment of satellite cities, the Town and Country Planning Board noted:

> *Within the metropolitan region the built up area of Melbourne is growing steadily and rapidly with a massive preference for residential settlement to the south and south-east of the City of Melbourne and an obvious indifference to settlement in the north and west. This physical imbalance is almost certainly creating an uneconomic and inefficient situation for public transport and other community facilities and services* (Town and Country Planning Board, 1969, May, p.3).
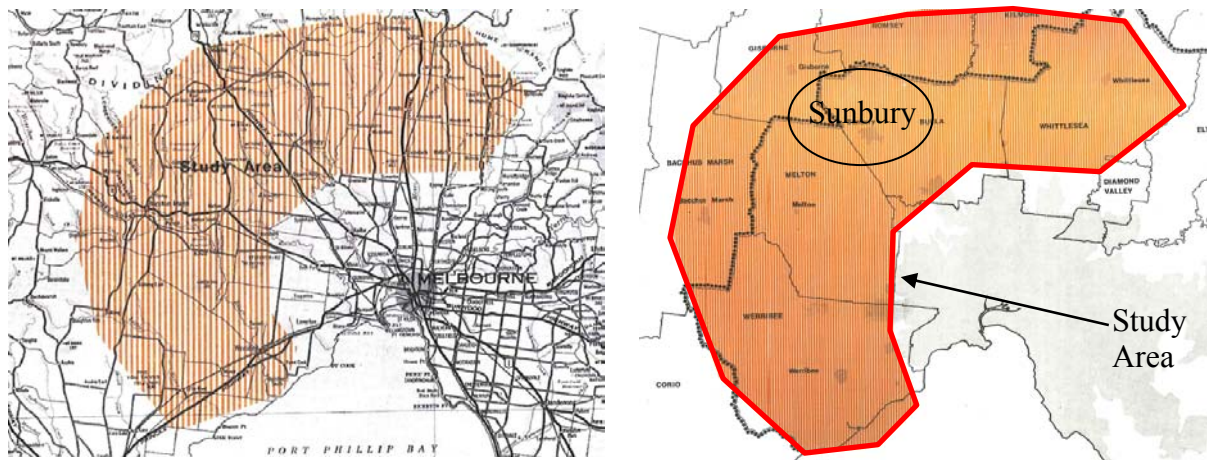
Figure 11: 1969 Victorian Government Satellite Cities Study Area
(Town and Country Planning Board, 1969, May)

This work tested the viability of the newly introduced 'satellite cities' concept. These areas were to be separated from the built up urban area of metropolitan Melbourne by a rural barrier, as distinct from an extension of the peripheral fringe 'corridors' of contiguous urban built form. This would create commuter cities with comfortable, fast and frequent passenger trains and high speed freeways to Melbourne. In 1971 the MMBW further developed this position with the report *Planning Policies for the Melbourne Metropolitan Region* (Melbourne Metropolitan Board of Works, 1971). As a

result of this report, amendments were introduced to the Melbourne Metropolitan Planning Scheme to implement the satellite city and green wedge schemes.

In 1972 the James Hardie company sponsored a study for an Australian New Town, based in Sunbury. This competition was facilitated by the Royal Australian Institute of Architects and prepared an outline development plan for a New Town development to the north of Sunbury. It had a targeted population of 100,000 by 2000 growing from just 8,000 in 1972 (Royal Australian Institute of Architects, 1972, May, p.19a). The plan commented:

> *One particular advantage, which Sunbury does have over the other western suburbs and some of the northern suburbs, is its natural physical attraction. A major problem at Sunbury will be to attract higher income groups. Planned New Towns have traditionally attracted the less affluent people. To attract a mixed population in terms of income groupings and national ethnic origins is possibly desirable, but the achievement of this mix is difficult in practice* (Royal Australian Institute of Architects, 1972, May, p.12.a).

Further work was undertaken by the Town and Country Planning Board who completed a report on the Sunbury and Melton 'investigation areas' in 1974. Sunbury and Melton had already received designation as 'locations for townships as an interim strategy for the future development of metropolitan Melbourne' (Town and Country Planning Board, 1974, September, p.1). It was argued these two areas had the land capacity to accommodate and sustain future growth and an expectation of further growth in the future. One stated aim of this strategy was to 'reverse the widespread prejudice against the west and north-west of Melbourne' (Town and Country Planning Board, 1974, September, p.7). In 1974 a 'drift' of population was occurring from the west to the south, and south-east. The Town and Country Planning Board noted this drift creates a number of undesirable side effects:

- Depopulation and the possible depressing effect on the areas of emigration;
- Reinforcement of the 'deprived' image of the west;

- Reinforcement of the political, economic and social decisions against the areas of emigration;

- A tendency to increased social and economic polarisation of Melbourne;

- Leads to under utilisation of resources and existing opportunities north and west;

- Leads to higher land prices in east and south in what are largely comparable circumstances;

- Declining share of employment growth is attracted to the north and west; and

- Deficiency in social facilities compared to other parts of Melbourne (Town and Country Planning Board, 1974, September, p.5-3).

As a result, the Town and Country Planning Board recommended a population target of 75,000 for Sunbury by 2000 which would be both 'desirable and feasible' (Town and Country Planning Board, 1974, September, p.5-10). This population growth would largely be to the north of Sunbury as shown in Figure 12 (overleaf).
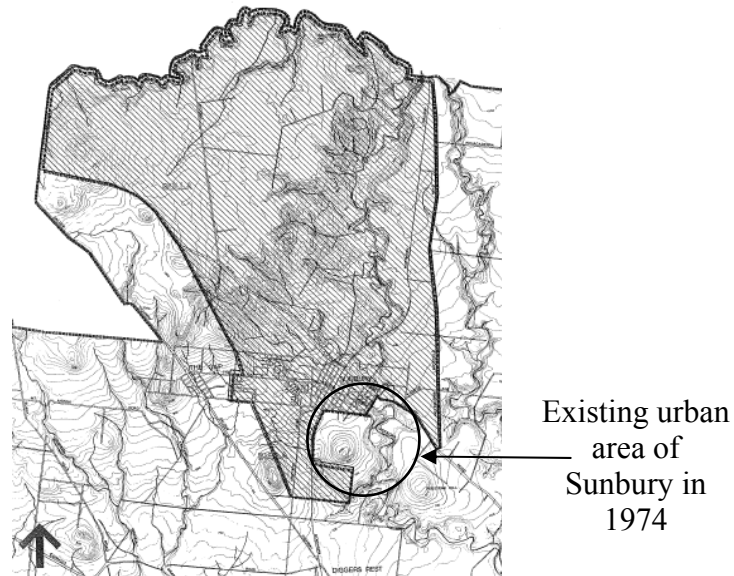
Figure 12: 1974 Sunbury Designated Growth Area
(Town and Country Planning Board, 1974, September, p.3-2)

These population expectations were widely optimistic. Whilst less than Hamer's 1967 target of 100,000, and the James Hardie 1972 target also of 100,000, the 1974 revision to 75,000 also proved unachievable. The actual population in Sunbury in 2001 was 27,821 (Australian Bureau of Statistics, 2006, March release date). In light of the rapid growth in population in the years preceding the 1974 report such an expectation was justifiable, in the period since the 1961 Census to the 1974 report Sunbury's population had grown from 4,824 to 8,243 (Town and Country Planning Board, 1974, September, p.3-7) and that was without any government direction to encourage population growth in this region. However actual population growth since the 1974 report has not achieved the 75,000, or 100,000 population targets expected by the James Hardie study, shown in Figure 13.
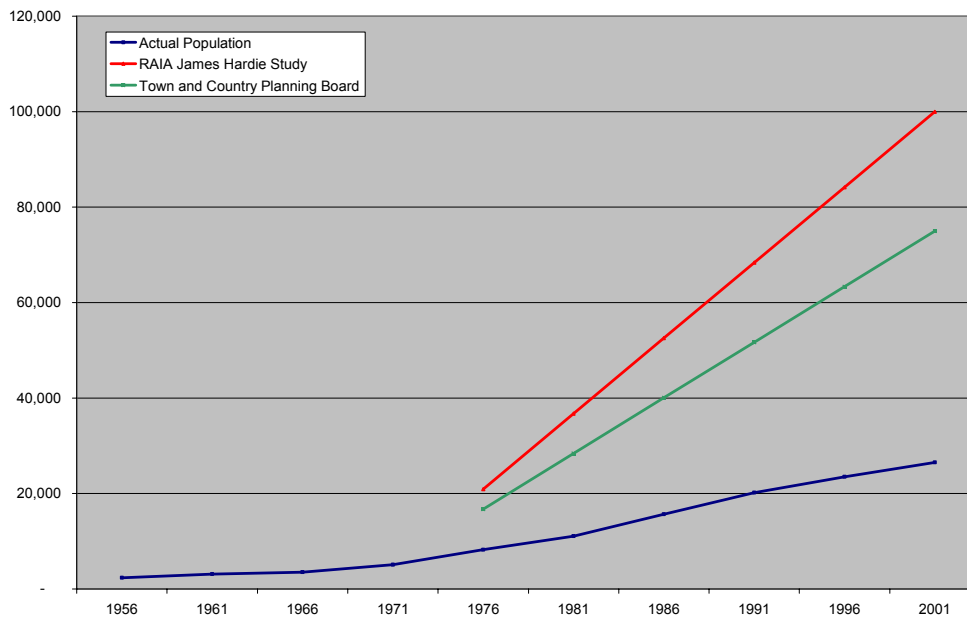
Figure 13: Sunbury Population Expectations and Actual Growth
(Royal Australian Institute of Architects, Town and Country Planning Board, Census)

Today this satellite city policy has been translated through to *Melbourne 2030* and Direction 3 'Networks with regional cities', however the scale is much larger with urban growth encouraged in regional cities such as Geelong, Ballarat, Bendigo, Seymour and Traralgon, see Figure 14 (assisted by the implementation of the $1 billion Regional Fast Rail Project and improvements to the regional freeway network – as envisaged in the 1960s policies for satellite cities connected to Melbourne by high speed road and rail networks). In addition government programs and policies have sought to attract employment and investment into regional areas.

Direction 3 of *Melbourne 2030* seeks to promote the growth of regional cities and key towns on regional transport corridors as part of a networked cities model, to concentrate development into towns, and to protect rural areas between towns from inappropriate development, specifically to protect rural areas for agriculture, conservation, natural resources, water catchment and tourist values, control small lot rural living developments, and reduce the number and impacts of existing small rural lots through consolidation. This policy base provides a framework for both regional development and environmental protection (Buxton, 2007, September, p.42).

Figure 14: Melbourne 2030 Direction 3 'Networks with regional cities'
(Department of Sustainability and Environment, 2002, p.73)

In contrast to the comments from the 1969 Town and Country Planning Board, in 2008 Sir Rod Eddington completed an assessment of Melbourne's east-west transport connections, in his report *East-West Link Needs Assessment* he noted:

Melbourne's population is increasing by nearly 1,500 people each week – more than any other Australian capital city. Today, Melbourne is a city of 3.7 million people. By 2031, at least 4.5 million people are expected to call Melbourne home. Recent strong population growth suggests that Melbourne may reach this figure well ahead of 2031, possibly as early as 2020. Some parts of Melbourne are growing at a much faster rate than others. In particular, the municipalities of Melton, Wyndham, Hume, Whittlesea, Casey–Cardinia and Melbourne will accommodate the highest amounts of Melbourne's total population growth over the next 25 years. Between 2001 and 2031, these areas are forecast to grow at an annual average rate of between 1.1 per cent (Hume) and 3.8 per cent (Melton). By contrast, Melbourne's eastern suburbs are growing at a much slower rate. Between 2001 and 2031, the municipalities of Manningham, Banyule and

Whitehorse are forecast to grow by an annual average of 0.5 per cent, 0.1 per cent and 0.3 per cent respectively (Eddington, 2008, p.14).

This outer west and outer north population growth is a direct result of the satellite city planning policy which has been strengthened by the introduction of the Urban Growth Boundary in 2003 and designation of most of the metropolitan growth in the satellite cities that were planned in the 1960s.

3.3.3 Modern Satellite Cities and Green Wedges

Dodson notes during the Kennett era from 1992 to 1999, strategic metropolitan planning was largely abandoned. The ideology of the deregulated market had taken hold at both the political level and within the bureaucracy, as in other areas of public policy (Dodson, 2003). Whilst not strictly accurate – the Kennett Government's 1995 metropolitan planning blueprint 'Living Suburbs' did involve land use planning, and this was echoed years later in 2002 for *Melbourne 2030* – land use planning has been actively resumed in the period since 2000 and the election of the Bracks Labor Government.

One of the first policy introductions of the Bracks Government was the development of a new metropolitan planning strategy. *Melbourne 2030* was developed with significant consultation and resulted in the protection of green wedges and the introduction of an Urban Growth Boundary. Not only were these policies re-introduced into the planning system but they were protected in legislation.

Premier Bracks commented:

> *Development pressures on the fringe of Melbourne and ad-hoc changes to local planning controls have undermined the protection of these sensitive areas .....we are acting to protect these areas of great significance, the hills and plains, forests and wetlands of this region are important to all Victorians. They are the premium open spaces for our city-dwellers and a home for those who enjoy living in a more open landscape* (Bracks, 2002).

Buxton argues that this legislation, new zones, and the introduction of the Urban Growth Boundary, applied a new level of protection that is unprecedented in Australia (Buxton, 2002, December, p.25). For the first time in Australian planning history a legislated Urban Growth Boundary has been introduced. Buxton argued that this was a welcome and necessary step to end the uncertainty associated with the perception that there is a soft and movable boundary to the urban area (Buxton, 2002, December, p.78.). Dodson suggests that the Bracks Labor Government faced a rare opportunity to recast urban development regulation and infrastructure provision to achieve progressive urban economic, social and environmental goals (Dodson, 2003, p.191).

The result of this policy recasting was a significant growth in 'peri-urban' development. Peri-urban areas commonly refers to land adjacent to the edge of an urban area into which it expands or influences (Buxton, 2007, September). In the Australian context, peri-urban areas have been defined as 'the urbanised edges of cities plus the spaces into which they expand, both physically and functionally' (Burnley, 1995, p.245). The city orientation has resulted in peri-urban areas being defined in relation to an expanding city which 'constantly absorbs its fringe area and creates a 'new' fringe further from the city centre' (Golledge, 1960). Buxton provides a Melbourne-based definition with inner and outer peri-urban belts and a peri-urban zone:

> *Melbourne's peri-urban area consists of inner and outer peri-urban belts. The inner belt comprises Melbourne's green wedges and a broader green belt situated between the Urban Growth Boundary (UGB) at the metropolitan edge and the outer rural boundary of 17 fringe area metropolitan councils. These two boundaries to the green belt are defined by the metropolitan planning policy,*

Melbourne 2030. The outer peri-urban zone extends from the rural boundary of the green belt for an indeterminate distance generally estimated at 100 kilometres from the UGB (Buxton, 2007, September, p.1).

Buxton's research suggests that peri-urbanisation occurs across a range of metropolitan and non metropolitan landscape settings including:

- Adjacent to a metropolitan centre;

- Adjacent to a (non metropolitan) regional centre;

- Adjacent to an urban centre within the non-urban commuter hinterland of a metropolitan or regional centre; or

- Linear contexts along growth corridors, transit routes or amenity landscape settings (Buxton, 2007, September, p.57).

As a result Buxton has refined the nature of traditional peri-urbanisation to identify a more definitive typology. This multi-setting typology is illustrated in Figure 15.

This typology acknowledges the existence of a number of peri-urban centres within the commuting zone of the metropolitan centre, such as Sunbury. Buxton recognises that these smaller peri-urban centres can possess their own discrete peri-urban zone, for instance an established Town Centre with greenfield development on the fringe. In his research on the Bendigo corridor, Buxton identifies eleven principal attributes of the peri-urban zone that contribute to its distinctive character as well to its complex set of management challenges, these are shown in Table 4.

Buxton notes that these attributes present challenges for planners and policy makers working in the rapidly evolving peri-urban dynamics where 'the management of change in a confusing milieu of land uses, values and aspirations which bear little resemblance to past circumstances in which planning has been applied' (Buxton, 2007, September, p.59).
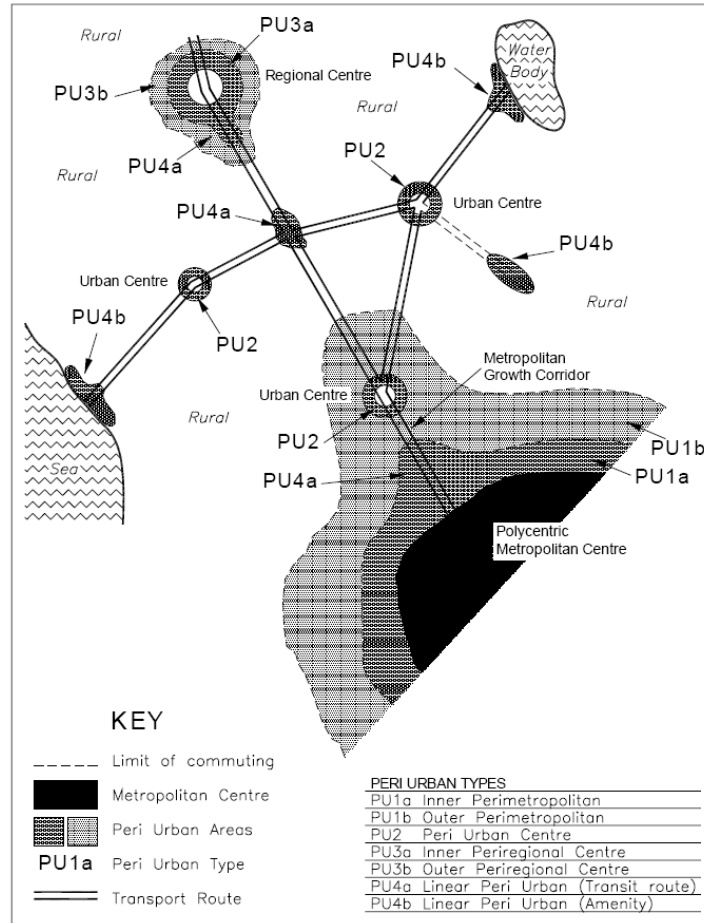
Figure 15: Peri-Urban Typologies
(Buxton, 2007, September, p.57)

1. Its status as a dynamic zone undergoing constant and rapid change an area in transition dominated by the temporary nature of land uses
2. Growth is related to the growth of nearby metropolitan/urban centres;
3. A growing population dependent on the nearby metropolitan/urban centre for employment, cultural, social and recreational needs;
4. Low to very low housing densities;
5. A heterogeneous population;
6. An increasing diverse range of heterogeneous and conflicting rural and urban land uses;
7. An increasingly fragmented landscape;
8. A location within the sphere of influence of adjacent urban centres;
9. A poorly planned and managed landscape;
10. Highly contested activities and values; and
11. An increasingly illegible landscape character.

Table 4: Attributes of a peri-urban zone
(Buxton, 2007, September, p.59)

Melbourne's 'peri urban' satellite cities of Wyndham (Werribee), Hume (Craigieburn), Whittlesea are now simply metropolitan growth corridors – except for Sunbury and Melton. All these areas will account for sixty-three percent of the future Melbourne population growth to 2030 (Growth Areas Authority, 2007, p.7), or 455,000 new residents, as shown in Figure 16. This population growth contribution is not simply a future projection, it has been witnessed in the period 2001-2006 where fifty-one percent of Melbourne's population growth occurred in growth area councils (McNeill, 2007). This is the culmination of decades of New Town and satellite city philosophy.
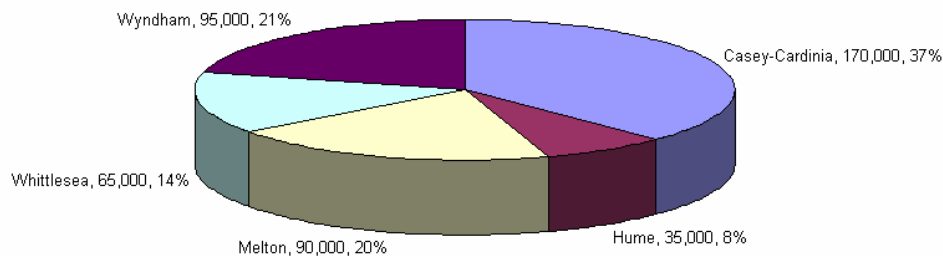
Figure 16: Growth Area Population Projections to 2030
(Growth Areas Authority, 2007, p.7)

3.3.4 Sunbury's Urban Growth Boundary and Green Wedges

The introduction of the Urban Growth Boundary and green wedges legislation has created a perplexing situation for Sunbury. Neither city nor metropolitan, it has been excluded from growth area planning that has occurred in the Hume (Craigieburn), Melton, Wyndham and Whittlesea growth areas. Sunbury and Melton are the only satellite cities to have retained their geo-spatial independence from metropolitan Melbourne. Sunbury is uniquely positioned, located immediately north and west of the Melbourne Airport Environs Overlay (see Figure 17). The area to the immediate south of Sunbury is constrained by the Urban Growth Boundary/green wedge zone, introduced in 2003 and unchanged since (all other growth boundary regions were amended following a

Growth Area Plan exercise with the Department of Sustainability and Environment in 2004 – note the planning functions at Department of Sustainability and Environment were later moved to the Department of Planning and Community Development). This change increased the size of the corridors by 11,132 hectares or 34 percent and increased the number of residential lots inside the corridors from 180,500 to 225,000 (Buxton, 2007, September, p.21). This raised the supply of residential land from 18 to 25 years at one of the world's lowest densities of 10 dwellings per hectare.

Figure 17: Melbourne Airport Environs Overlay – shown as red and yellow
(Department of Planning and Community Development, 2008)

Of particular importance to Sunbury is the two-tiered Airport Environs Overlay. This planning scheme overlay prohibits sensitive uses (such as child care and new residential

development) immediately under the airport flight path (shown as red on Figure 17). It does allow some residential development in the peripheral areas (shown as yellow) subject to compliance with Australian Standards for noise attenuation. The result of this overlay is permanent separation of Sunbury from the Sydenham/Watergardens/Taylors Lakes region to the south, and the Craigieburn/Roxburgh Park/Broadmeadows region to the east. Sunbury is effectively an island of predominately residential development permanently isolated from the Melbourne urban form. In addition to the Airport Environs Overlay, the Urban Growth Boundary and surrounding zonings place severe constraints on the future growth of Sunbury. As shown in Figure 18, the Urban Growth Boundary was put in place to encompass all existing appropriately zoned development land (for example land that was zoned Residential 1 but undeveloped).

In 2004 extensions were made to all growth areas – excluding Sunbury – following a Growth Area Plan exercise with the Department of Sustainability and Environment. In December 2008 the Victorian Government released population projections that forecast Melbourne's population to reach over five million by 2030 (Department of Planning and Community Development 2008, p.2). These revised population projections mean that the *Melbourne 2030* population target of four million Melbourne residents by 2020 (Department of Infrastructure 2000) will now be achieved by 2011 and will be five and a half million by 2036 (Department of Planning and Community Development 2008).
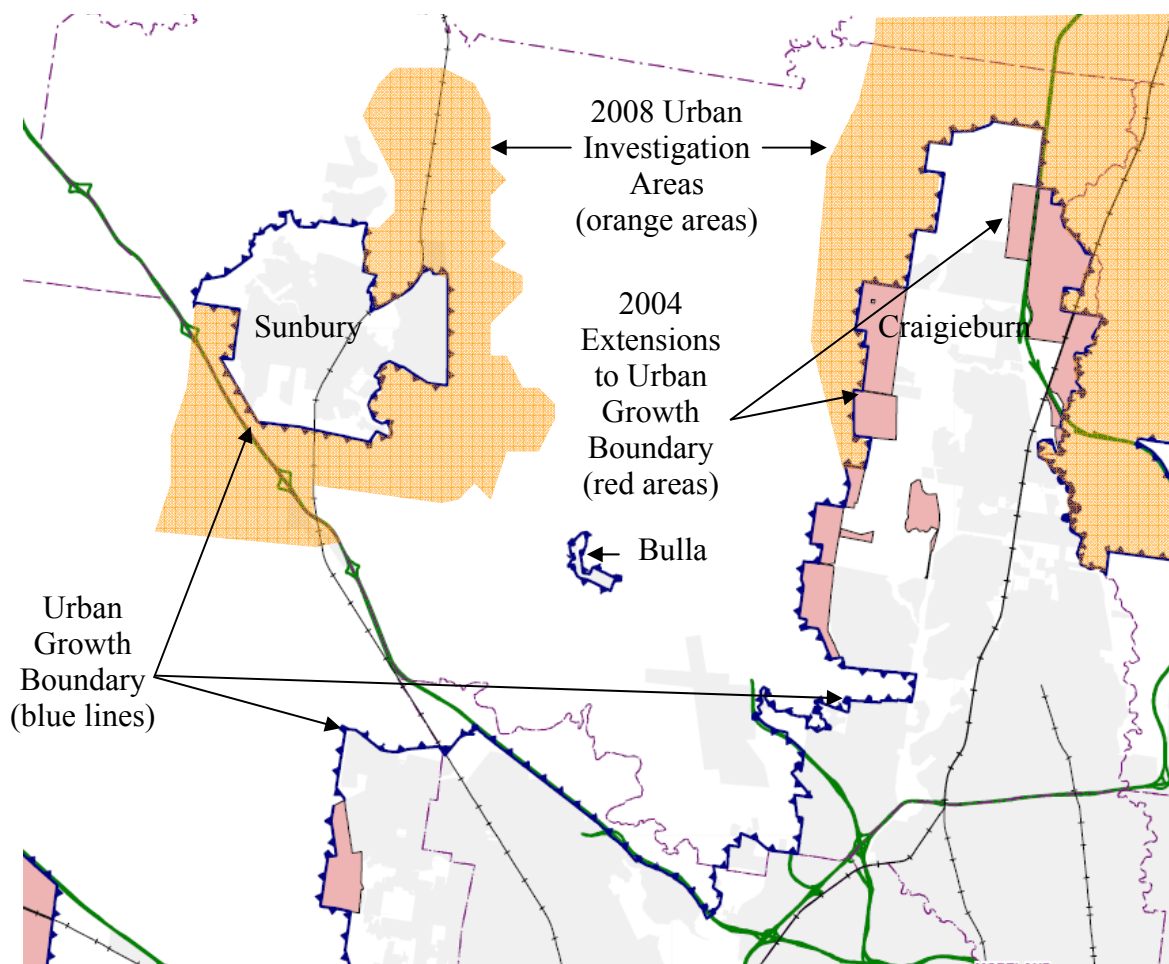
Figure 18: Urban Growth Boundary Changes
(Department of Planning and Community Development, 2008)

The scale of the population projections has far reaching implications to the Urban Growth Boundary. As the population projections were announced, unprecedented revisions to the Urban Growth Boundary were exhibited for public comment. These revisions identified four 'investigation areas' totalling 50,820 hectares, of which only 22,855 hectares would be required for residential growth to accommodate the revised population requirements to 2030. The Sunbury investigation area extends the urban settlement of Sunbury north-east along Lancefield Road and the Jacksons Creek, east along Sunbury Road towards Bulla, south along Vineyard Road towards Diggers Rest and south-west leap-frogging the Calder Freeway to connect Sunbury with Diggers Rest up to the Airport Environs Overlay on Diggers Rest-Coimadai Road (shown as orange areas in Figure 18).

This significant reshaping of the Urban Growth Boundary faces many months of community consultation before requiring legislative changes. The exceptional circumstances demonstrated in this 2008 change is the direct consequence of inaccurate population forecasting for both the *Melbourne 2030* policy and the ongoing yearly revisions to *Victoria In Future* – the State Government's annual population forecasts.

Sunbury's geographical isolation is exacerbated by the existing zoned residential areas already being committed for development, unavailable for development, or reaching the final stages of development (shown in Figures 13 and 14):

1. Jacksons Hill, an estate owned by Victorian Government land developer VicUrban, started development in 1998 and subject to a 2001 Structure Plan and with only three remaining stages to be developed (Stages 50, 51 and 52).

2. Vineyard Rise, a Residential 1 zoned parcel of land on Vineyard Road, owned by long standing local farmer Mr Tom Millett, largely to remain undeveloped – as the owner is not interested in developing the site or selling to a developer.

3. Ashfield, an estate privately owned, largely completed, last remaining stages expected completion by 2010.

4. Somerset at Mt Holden, an estate privately owned, largely completed, last remaining stages expected completion by 2013.

5. Canterbury Hills, an estate privately owned, largely completed, last remaining stages expected completion by 2013.

A further site within the Urban Growth Boundary, zoned Farming 3 Zone, known colloquially as 'the Racecourse land', is owned by Hume City Council and a strategic plan was prepared in 2007 to develop the site for housing in the medium term. The net result of these urban planning decisions and existing land ownership structures has been that new greenfield urban development within Sunbury will come to an end in mid 2011 (Wright, 2008). This is a direct consequence of the introduction of the 2003 Urban Growth Boundary and green wedges, however pending future land releases associated with the December 2008 announcement this scenario may be averted.
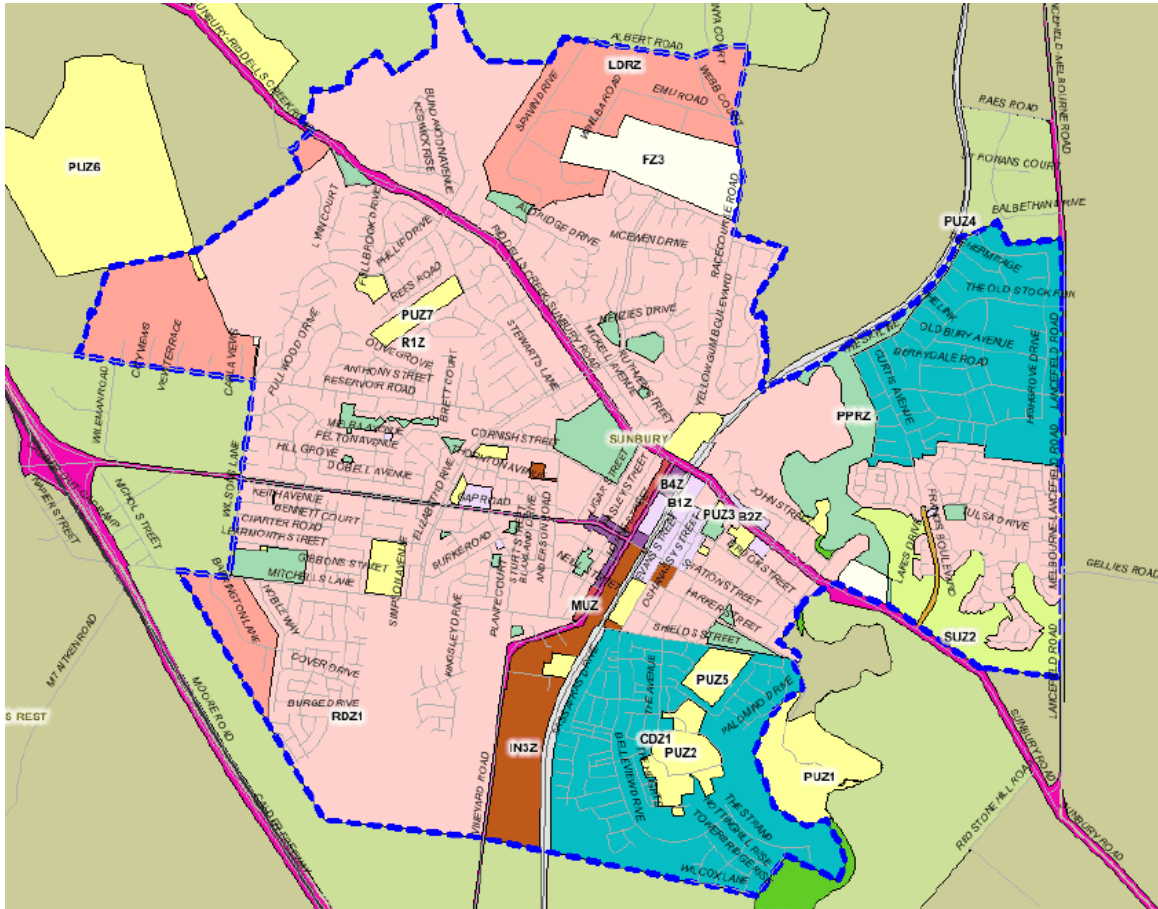
Figure 19: Sunbury Zones and Urban Growth Boundary
(Department of Planning and Community Development, 2008)
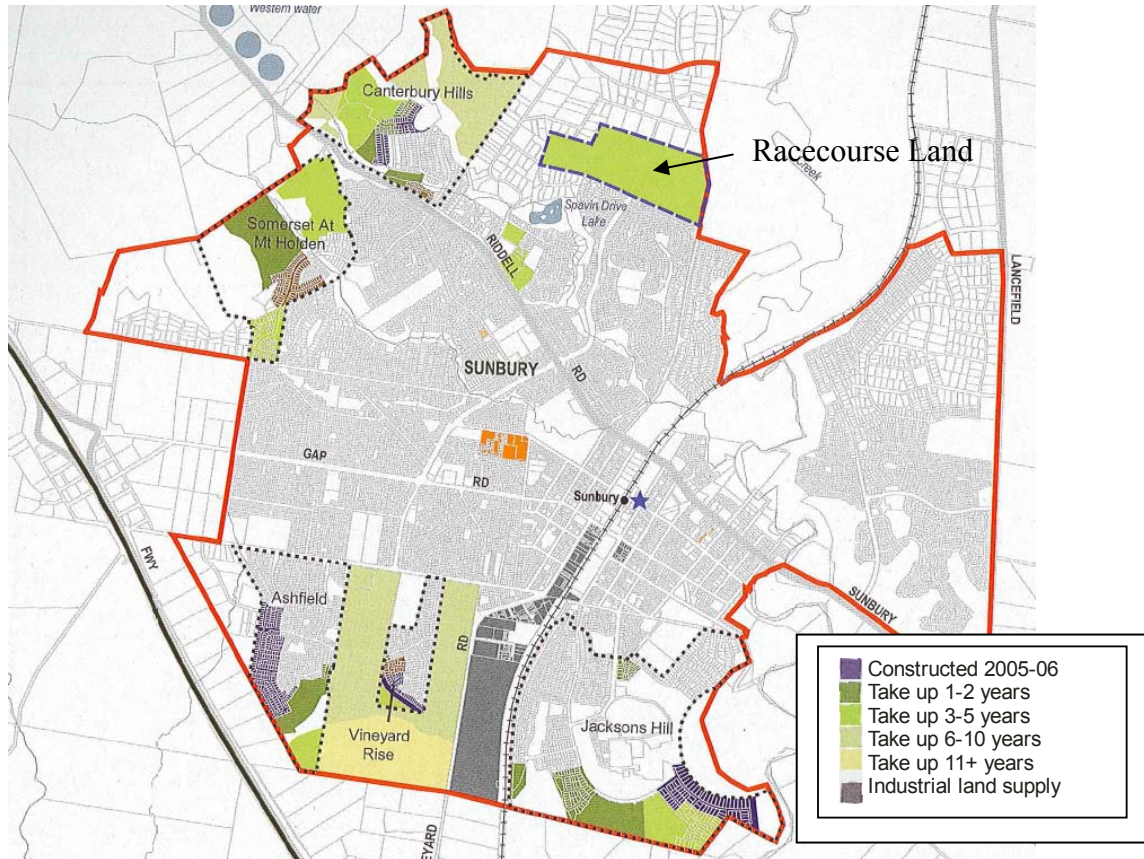
Figure 20: Sunbury development areas inside the Urban Growth Boundary
(Department of Planning and Community Development, 2008, p.67)

In addition to the end of residential greenfield development, Sunbury's relative isolation from the metropolitan area will continue based on current State government urban planning policy settings. Sunbury has traditionally had a relationship with the Bulla-Sunbury corridor and the areas to the south, suburbs such as Keilor, Essendon, Moonee Ponds etc, however over time its relationship with the Calder corridor will increase. This will be a direct result of significant road and rail improvements such as Vineyard Road duplication and Sunbury rail electrification. This represents a further change in the community of interest, the first being the progression from Bulla to Sunbury and this next wave being one developing along the Calder corridor as opposed to the Hume corridor.

It is important to recognise the urban planning and geographical elements of this research topic that forms part of the discussion on 'communities of interest'. These include

transport routes, topography, urban growth/regional growth, demographics, journey to work data and social profiles.

3.3.5 Sunbury Strategic Framework Plan

In response to concern that the introduction of the Urban Growth Boundary would create a difficult situation for the sustainability of Sunbury, Hume City Council developed the *Sunbury Strategic Framework Plan,* to guide the future development of Sunbury. This report detailed three 'Investigation Areas' shown in Figure 21 and recommended all three areas be included within the Urban Growth Boundary (Hume City Council, 2005, September, p.60). The report expressed concern over the limited employment land in Sunbury and its dependence on further growth which was now constrained. The government response, from the Deputy Secretary Built Environment, Department of Sustainability and Environment was:

> *It is not considered that there is a strong strategic basis for the government to consider altering the designation of Sunbury to a Principle Activity Centre (i.e. with a regional role) and to support this with additional growth. It is further noted that at this time there is not a clear community view that outward growth should be considered. Consequently further investigations for new urban growth outside the Urban Growth Boundary are not supported* (Overell, 2006, 6 February).
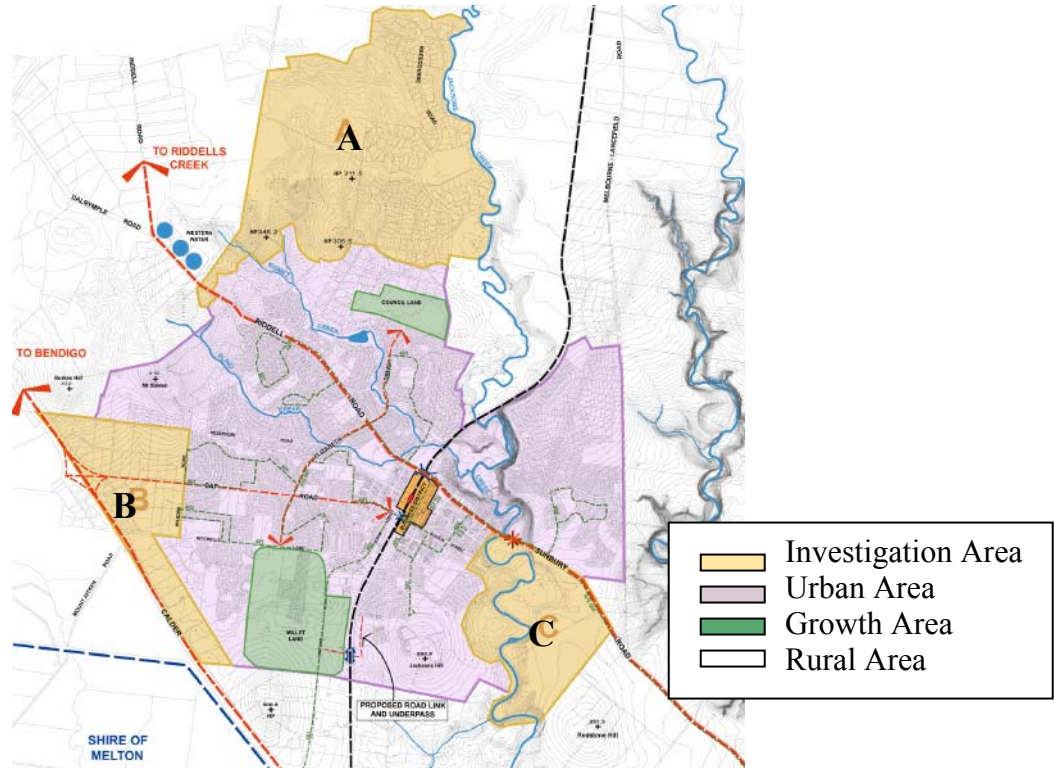
Figure 21: Sunbury Strategic Framework Plan 'Investigation Areas' (A, B and C)
(Hume City Council, 2005, September, p.9)

As a result of the Sunbury Strategic Framework Plan and lack of State Government support to pursue extending the Urban Growth Boundary, fifteen 'Sustainable Planning Principles' were incorporated into the planning scheme. These are shown in Table 5.

Managing Growth

1. Provide for the location of new growth in areas that enhance and broaden environmental, economic and social strengths.

2. Recognise and enhance the semi-rural/country town character of Sunbury while providing for sustainable growth and service provision.

3. Maintain and reinforce Sunbury's separate physical and cultural identity from metropolitan Melbourne.

4. Promote high quality urban design, enhancing the semi-rural entrances into the township, rural vistas and internal streetscapes.

5. Establish defined and sustainable boundaries to the growth of Sunbury based upon population, infrastructure and geographic limits, and encourage sustainable land uses outside of these growth areas that reinforce this boundary.

Balance Service Provision

6. Encourage new growth that maximises the efficiency of existing and future infrastructure and services and the timely provision of those services.

7. Enhance the central commercial precinct of Sunbury to provide a defined township centre.

8. Ensure Sunbury is self-contained in terms of its community, health and education services in proportion to the regional population it services.

9. Plan for high levels of connectivity through improved pedestrian, traffic and transport links and efficiency, within Sunbury and to other key destinations.

Enhance Environmental Benefit

10. Recognise and enhance the essential contribution of biodiversity, habitat protection and character to the Sunbury environment in the planning, management and development of public and private land.

11. Encourage the most efficient use of resources in the location, design, staging, construction and operation of commercial and residential developments.

12. Encourage urban design and management practices that help the community reduce, reuse and recycle consumable resources such as water, energy and waste.

Integrating Social Change

13. Ensure that Sunbury remains accessible across all social spectrums, and provides choice in housing, employment, educational and community opportunities.

14. Plan the growth of Sunbury to meet forecast demographic change.

15. Improve social connectivity and community potential through community building, enhanced accessibility, technology and infrastructure provision.

Table 5: Sunbury Strategic Framework Plan 'Sustainable Planning Principles'
(Hume City Council, 2005, September, p.30-31)

These 'Sustainable Planning Principles' reinforced Sunbury's semi-rural/country town character whilst also providing for a population base to support self-sufficiency of community, health and education facilities. *Melbourne 2030* designated Sunbury as a 'Major Activity Centre'. However Hume City Council submitted that Sunbury should have been classified as a 'Principal Activity Centre' due to its regional role in the north-west catchment that includes the Australian Bureau of Statistics defined Statistical Local Areas of 'Macedon Ranges Shire Balance' (taking in Gisborne, Macedon and Woodend) and 'Macedon Ranges Shire – Romsey' (taking in Riddells Creek, Romsey and Lancefield). Relationships also exist with Bulla in the Hume municipality and Diggers Rest in the Shire of Melton. This was identified in the *Sunbury Strategic Framework Plan*. This 'regional service centre role' provides services to the surrounding region in many ways including commercial activities (shopping, retailing), community services (health, child care), education (secondary and tertiary institutions), Figure 22 shows this relationship.
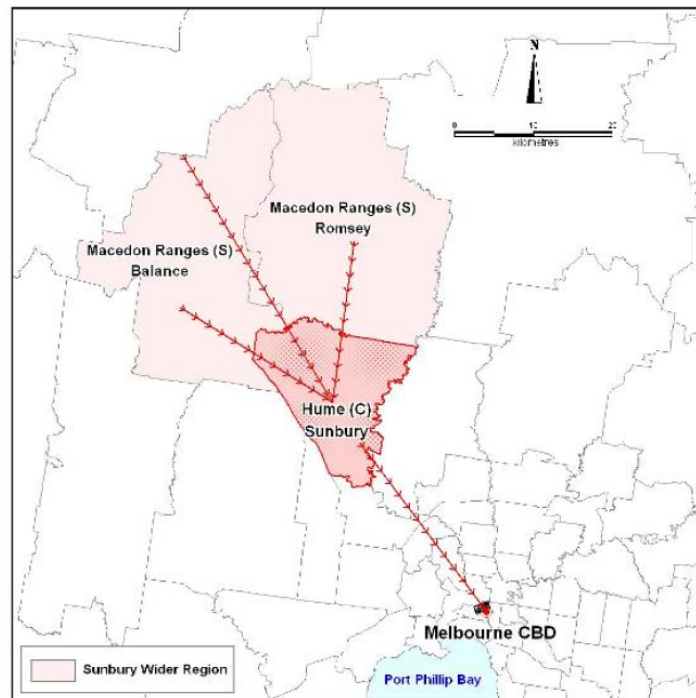
Figure 22: The wider 'Sunbury region'
(Hume City Council, 2005, September, p.33)

In Buxton's Bendigo corridor case study he found:

> *The population in the study area, like that of Victoria and the rest of Australia is ageing but in an uneven manner. As household sizes are reducing and the proportion of single and dual person households increase, the number of new dwellings constructed will have the major impacts on peri-urban areas in the corridor. Housing growth, in many areas, is outpacing population growth. Total dwellings in the case study area increased significantly as a percentage against metropolitan and regional Victoria between 1981 and 2001. This indicates that the rate of dwelling increase was greater in the Bendigo corridor study area than in either Melbourne or Victoria, at 96 per cent compared to 33 per cent and 39 per cent respectively. Most areas in the case study area experienced considerable increases in dwelling numbers over the period 1981- 2001. However this growth has not been evenly distributed geographically or over time. Sunbury leads the area in the increase in dwelling numbers, growing 175 per cent, and in 2001 accounted for nearly 30 per cent of total dwellings in the case study area* (Buxton, 2007, September, p.14).

Although Sunbury is a separate and satellite township to Melbourne, it is directly influenced by economic and social shifts in the wider metropolitan region. Economic and population trends in the metropolitan area (and in particular north-west Melbourne) are likely to directly impact on growth patterns in Sunbury and surrounding areas (Hume City Council, 2005, September, p.32). These factors include housing affordability, smaller household size and increased education levels.

3.4 Hume City Council – Managerial Issues

Some management problems are more difficult to resolve that others. At the highest levels of complexity, cultural and social values come into play and stakeholder investment is essential. In these circumstances, the process of defining shared values, common goals, desirable outcomes and acceptable risks becomes political. In the example of the Hume City Council case study, Sunbury's town planning isolation is

exacerbated by the loss of administrative functions associated with the local government sector. This loss of decision making was a jolt for Sunbury which had retained its head office function in local government until amalgamation in 1995, when it was transferred to Hume City Council's new Broadmeadows headquarters (see Figure 23). This 'hollowing out' of white collar jobs was lessened by the fact that several departments remained in Sunbury until 2003 when all staff were consolidated in a new office building in Broadmeadows. Today, a customer service desk remains in Sunbury, whilst the Council owned office building was leased to Western Water who relocated from Gisborne to Sunbury immediately following the Council relocation. Whilst this was an excellent form of compensation (as opposed to many other Council buildings during staff consolidations that were left vacant and continue to this day), it remains a causal factor in the push for de-amalgamation and reclaiming a lost identity.

Pre-amalgamation boundary   Post-amalgamation boundary
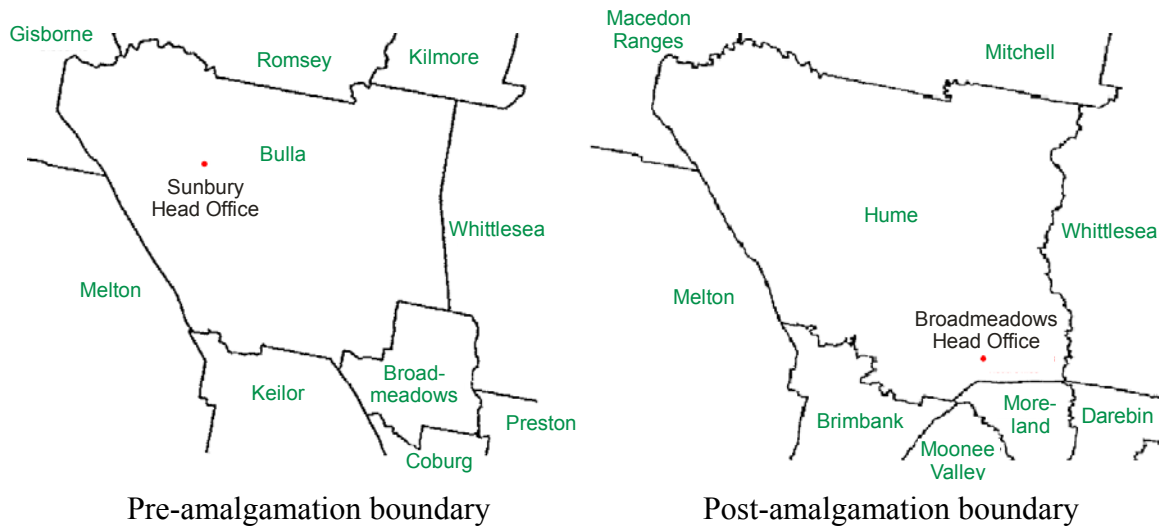
Figure 23: North-west Melbourne pre/post-amalgamation boundaries and head offices
(Galligan, 1998, p.116)

Hume City Council has supported de-amalgamation, claiming the current governance structure was a significant impediment to the effective governance of Sunbury residents. This was a position supported by the Sunbury Residents Association. As discussed earlier, the survey commissioned by Hume City Council in 2004 was influenced by a letter-box drop of Sunbury residents on the eve of the telephone survey. Despite this, the

Sunbury Residents Association engaged respected consultant Jon Hickman to prepare a critique of the government's Panel report. Mr Hickman was the Deputy Secretary of the Department of Infrastructure and was responsible for planning and local government during the period 1996-1999. Prior to this he was the Chief Executive of the City of Port Phillip from 1994-1996, and the Corporate Manager at the City of Melbourne from 1990-1994.

The Hickman report (undated) was commissioned for the Sunbury Residents Association in direct response to the Hume City Council Panel report of 2000. The report concluded that the methodology used by the Panel was deficient in a number of aspects, particularly the financial analysis which was based on questionable assumptions and often lacked supporting evidence. The forecasts of revenue and expenditures was deficient in detail and content and the Panel conclusions are based on a 'one year' snapshot of Hume *budget* estimates, that later proved to be inaccurate.

The Hickman report stated that management costs were overestimated on the basis of a comparison with municipalities of like size and complexity to the 'Sunbury Shire', grants commission general purpose grants that would flow to the new municipality were underestimated, estimates of the capital works program were not subjected to scrutiny, potential revenues from asset sales were significantly underestimated and establishment costs could be substantially less than estimated in the government's Panel report (Hickman, Undated (approx. 2003), p.2). As a result, the threats to the long term viability of the 'Sunbury Shire' reflect a misunderstanding of the nature of local government finances in Victoria.

Separation Commissioner, one support staff, preparation of an implementation plan	**$150,000**
New Sunbury Shire CEO	**$140,000**
Legal Costs comprising of a dissolution agreement, contract renegotiations, new contract establishment, industrial/employment contracts, advice regarding new powers, Local Government Association matters, governance issues and local laws	**$250,000**
Due diligence audit	**$35,000**
Council Elections	**$150,000**
New logo design and replacement, signage, printing, website, information to residents and staff	**$200,000**
Purchase new computer hardware, servers, PABX, software, licences and electronic payment options	**$200,000**
Recruitment costs for senior management, redundancies	**$180,000**
Additional fleet, plant and equipment, vehicles for Mayor, CEO, senior management, councillor equipment, sundry plant	**$380,000**
Accommodation requirements, removal and fit out for Hume staff displaced from Sunbury Office and Sunbury Depot upgrade	**$220,000**
Dissection of data and records systems, filing	**$100,000**
Total Panel Establishment Cost	**$2,055,000**

Table 6: Hume City Council Panel de-amalgamation establishment costs
(Male, 2000, October, p.40)

The Panel found transitional costs of $2.055 million would be required for de-amalgamation of Hume City Council, these are shown in Table 6. Contrast this to the establishment costs for the de-amalgamation of Delatite (the comparison case study in this thesis) which the Panel estimated at $1.124 million, see Table 7.

By contrast, the Hickman report found these costs could be as low as $750,000 for Hume de-amalgamation and the costs could be spread over several years. For instance a CEO is not required in the first year should a Separation Commissioner be appointed and past practice during amalgamations saw Commissioners appointed for up to three years (indeed Panel member Julian Stock was Commissioner at Darebin for three years). There is also no need to hold elections in the first year when the Commissioner has been appointed. The new Council logo could be an 'identity builder' in the community with a public design competition (with a small prize under $1,000) with logo replacement, signage, printing, website information progressively introduced over several years as

assets are renewed. Likewise there is no need for redundancies and there are no accommodation requirements for Hume staff relocated from Sunbury Office and no requirement for a Sunbury Depot upgrade. The Panel allowed $250,000 for establishment legal costs, another more practical approach would be to novate all contracts to Hume City Council, insofar as they affect the new municipality, to the new municipality. These were all cost factors identified in the Hickman report that were not considered in the Panel's formulation (Hickman, Undated (approx. 2003), pp.12-15).

	Benalla	**Mansfield**	**Total**
Legal	$75,000	$75,000	$150,000
Information Systems	$161,000	$169,000	$330,000
Accommodation, Fleet	$0	$116,000	$116,000
Plant	$14,000	$229,000	$243,000
Corporate Identity/Signage	$20,000	$20,000	$40,000
Contingency	$37,000	$84,000	$121,000
Council Election	$67,000	$57,000	$124,000
Total	**$374,000**	**$750,000**	**$1,124,000**

Table 7: Delatite Shire Panel de-amalgamation establishment costs
(Male & Stock 2002, July, p.27)

The Panel accepted the view presented by the Sunbury Residents Association that with close to 30,000 residents a 'Shire of Sunbury' would be equal or greater than 43 percent (35) of municipalities in Victoria. However these are all rural shires, and there are no metropolitan Councils as small as 30,000. The Panel saw issues of population and population density as irrelevant, but rather whether or not the population can support the expenditures required to provide the requisite level of services (Male & Stock 2000, October, p. 44). The Hickman report concluded:

> *If a 'new' Sunbury were to emerge, whilst comparable in some facets, it would not be 'like' any of the other 78 municipalities in Victoria. Inevitably it would set its own modus operandi and have cost structures different to those of the City of Hume (and upon which the Panel report conclusions are based). This is the essence of 'local' government* (Hickman, Undated (approx. 2003), p.6).

In addition a 'new' council would be more focused on attracting external funding for Sunbury projects from other sources. This highlights the particularly peri-urban aspects of Sunbury that warrants considering its management issues differently to other councils.

3.5 Hume City Council – Political issues

The third issue involved in this debate over de-amalgamation is of political issues and the interests of political parties and individual state and local government politicians. The instability that comes from the interaction of the political elements with the managerial and planning issues leads to the intractable nature of this topic.

The turning point in the debate on Hume City Council's de-amalgamation came at the 2006 election. The State Opposition and all six candidates, except the sitting government member, Joanne Duncan, supported an up to date government review and a referendum of residents. The Opposition claimed amalgamation had 'failed' by creating an 'unhappy relationship' and if elected, they would create a separate municipality should the community desire this through a referendum result (Vogels, 2006, 6 June). The Minister for Local Government, Candy Broad, said she did not have an ideological objection to de-amalgamation, rather she was concerned about the impact of rate rises and the long-term sustainability of services to Sunbury residents (Broad, 2006, June). During the campaign these contrasting policies were highlighted as the single-issue that would decide the future progress of this de-amalgamation push.

The election result was an overwhelming win for the incumbent government member. Joanne Duncan was steadfast in her refusal to reconsider de-amalgamation in the period up the election. On the assumption that the election result was a referendum on Sunbury's de-amalgamation, as had been claimed by proponents, the election made it clear that the issue was 'now well and truly dead' (McLoughlin, 2006, 12 December). As shown in Table 8 and Figure 24, all Sunbury booths were won by the incumbent government member and won decisively.

Voting centres (booths)	O'CONNOR, Frank FAMILY FIRST	JOHNSON, Leigh GREENS	GUTHRIE, Rob PEOPLE POWER	MEDCRAFT, Jack INDEPENDENT	HEAD, Robyne LIBERAL	BARRY, Dave INDEPENDENT	DUNCAN, Joanne LABOR
Goonawarra	4.0%	4.6%	1.0%	13.5%	22.0%	4.1%	46.4%
Sunbury	2.6%	7.0%	2.8%	10.3%	30.9%	6.0%	37.4%
Sunbury Central	2.9%	8.6%	1.5%	11.1%	33.3%	4.6%	35.1%
Sunbury Heights	2.7%	4.8%	1.0%	10.6%	18.8%	19.0%	38.5%
Sunbury North	1.6%	6.9%	0.9%	12.4%	26.3%	6.4%	41.7%
Sunbury North West	2.8%	6.5%	1.5%	11.3%	20.6%	7.0%	46.7%
Sunbury West	3.2%	6.5%	1.2%	13.7%	24.4%	3.7%	43.6%
Total	**2.9%**	**6.1%**	**1.4%**	**12.2%**	**24.5%**	**7.4%**	**41.7%**

Table 8: Sunbury booth results from 2006 State Election – first preference all data
(Victorian Electoral Commission, 2006)

It is interesting to note that the Sunbury result was markedly different to the overall electorate result. Figure 24 shows that the first preference votes for the two major parties were substantially lower in Sunbury, whilst the two Sunbury based independents, former Councillor Jack Medcraft and Sunbury Police Officer Dave Barry, were substantially higher in Sunbury. Both independents ran strongly on a de-amalgamation platform; however the Liberal candidate, who also ran strongly on this issue, had a significantly lower first preference vote in Sunbury when compared to the electorate. The Liberal vote was significantly lower than in previous elections, indeed the Liberal Party has lost almost 24 percent of the first preference vote since 1996 (see Figure 25). This is partly due to redistribution of the seat of Tullamarine to the seat of Macedon, but can also be attributed to other policy based and state-wide swings against the Liberal Party.
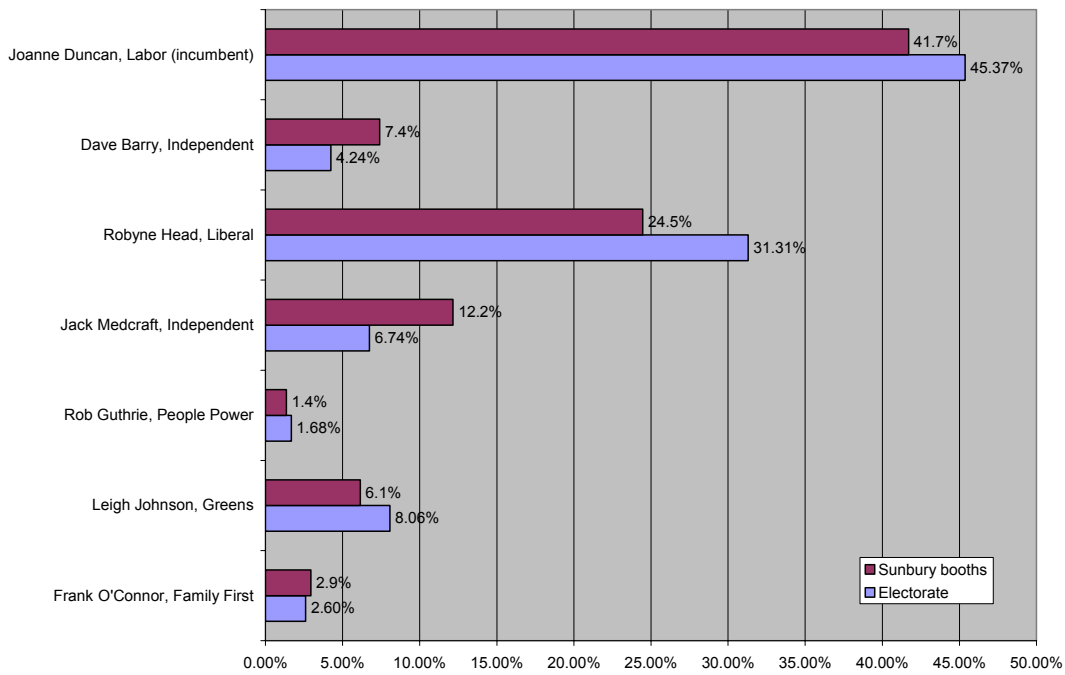
Figure 24: Results from 2006 State Election, Macedon electorate and Sunbury booth comparison – first preference total data
(Victorian Electoral Commission, 2006)
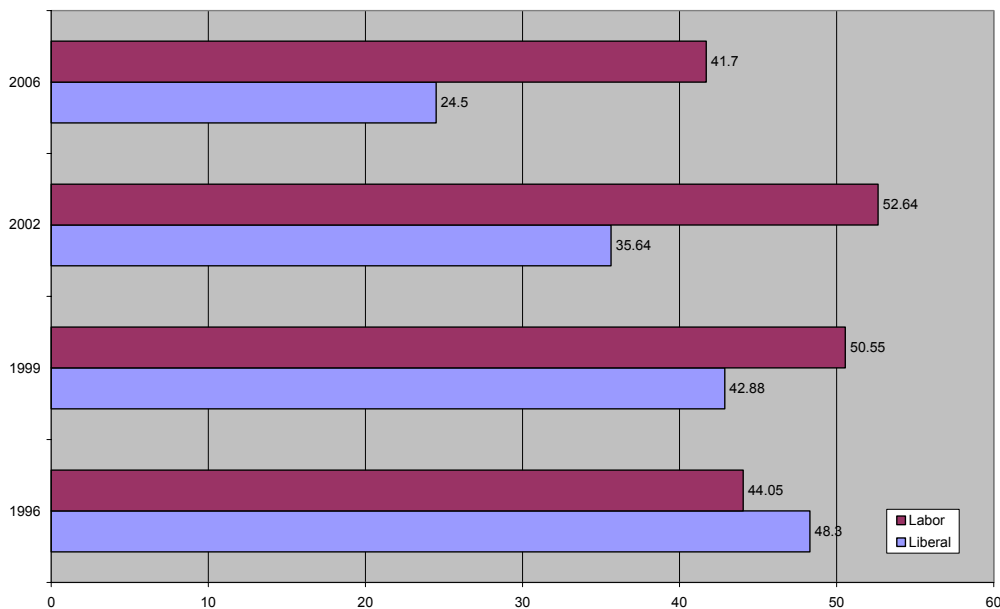
Figure 25: First preference votes in the seats of Tullamarine and Macedon (inclusive of Sunbury) for the 1996, 1999, 2002 and 2006 State Elections
(Victorian Electoral Commission, 1996. 1999, 2002, 2006)

De-amalgamation of Hume City Council is clearly political and the political process has been exhausted by resident groups. This has provided a conclusion to this case study, however the public policy elements that support arguments against de-amalgamation have not been re-considered by the State Government since 2000, and are now perceived by resident groups to be outdated and ill-informed.

The community action groups such as the Sunbury Residents Association continue to argue strongly for de-amalgamation. This is assisted by individual agitators such as State Members of Parliament, Councillors and candidates. These political groups and individuals were interviewed for this thesis and this is expanded upon in Chapter 4.

3.6 Hume City Council – Analysis

All policy making and service delivery is spatial, meaning that there is an inevitable and distinctive geography that defines the activities and responsibilities of any government. The needs of a geographically defined community are often met through local government. At a State Government level the various departments are functional (education, health, transport) however at a local government level the focus is on the local spatial sphere. As shown earlier in this chapter, in the case study of Hume City Council, Sunbury is geographically isolated from Melbourne and the Hume corridor and will remain so under historical and current urban planning regimes.

The instability and interaction between managerial aspects of local governance, political elements of institutional structures and the planning aspects of land use planning and population expectations leads to a complicated wicked problem that may never be resolved. Over time, aspects of this wicked problem may change, for instance transport connections will improve to different areas, migration patterns will emerge due to metropolitan wide factors such as affordability of housing, demographics will change towards a more multi-cultural aspect, education levels will rise and expectations will

change. Whilst the matter may have resulted in an intractable dispute, it may be managed over time. This was explored earlier in Chapter 2 and the section on wicked problems.

One of the fundamental management changes to this mixture of complexity is transport connections. In land use planning, transport is of critical importance to land uses to the extent that cities are directly influenced by established and proposed transport networks. In March 2008, a report completed for the Victorian Government by Sir Rod Eddington recommended electrification of the railway line from Watergardens/Sydenham to Sunbury. The recommendation to electrify the line to Sunbury was focused on increasing rail capacity on the Watergardens line, one of Melbourne's fastest growing passenger rail lines with 55 per cent public transport patronage growth in the period 2006-2008 (Eddington, 2008, p.71). In this context, it is a difficult proposition to suggest that this policy proposal was driven by an acknowledgement that Sunbury was now part of the metropolitan rail system and was deserving of metropolitan levels of public transport services. The report suggests that by extending the electrified services to Sunbury and removing the current diesel V/Line service, an additional 2,800 passengers could be carried in the morning peak hour on the Watergardens line (Eddington, 2008, p.71).

The Eddington report estimated this fifteen kilometer track electrification would cost $216 million, or $14.4 million per kilometer (Eddington, 2008, p.71). This is a rapid escalation in cost from the 2002 seven kilometer electrification from St Albans to Watergardens that was completed at a cost of $44 million, or $6.3 million per kilometer and included two new railway stations (Minister for Transport, 2002). Whilst the dramatic escalation in cost has not been explained and is irrelevant to this thesis, the precursor to the Sunbury electrification – the Watergardens electrification – resulted in a distant urban settlement merging with the urban agglomeration of metropolitan Melbourne as a direct result of improved transport connections. The Eddington report recommends early commencement to construction with electrified services to be operating during 2011 (Eddington, 2008, p.90). Should this policy proposal be adopted it would substantially change Sunbury's identity and its future growth.

Councillor for Jacksons Creek Ward Jack Ogilvie noted:

> *This is going to be the hottest topic put in front of Sunbury since it became a satellite city forty years ago. I don't think there is an issue that will divide the community more than this. This will connect Sunbury with suburbia* (Lavura, 2008, p.5).

Whilst clearly aligned to the planning issues in this debate, interestingly the policy proposal has generated little public debate in the political sphere. The debate that has occurred, through letters to the local newspaper, are mainly peripheral and superficial aspects of having electrified passenger services such as no conductors, more cramped seating arrangements, perceptions of 'undesirables' and an unwillingness to suffer the fate of other 'end of the line' settlements. There is some discussion about Sunbury as a 'semi-rural' oasis and not part of the urban fabric of Melbourne. To some extent this is the case – Sunbury will remain distinct from the metropolitan area. Sunbury is an urban settlement, with a population in excess of 33,000 and one of the largest regional cities on the peri-urban fringe. It is a matter of perception and rhetoric as to whether Sunbury is 'really' a discrete city.

3.7 Delatite Shire – Case Study

It is significant tho note that the State Government was able to reach different conclusions from similar cases. This introduces the process for de-amalgamation that was engaged two years later than Hume City Council, for the restructure of Delatite Shire, in Victoria's North-East. In this example the State Government review found it was feasible to create two councils, 'Mansfield' (6,631 residents) and 'Benalla' (13,531 residents) at a minimal cost. This de-amalgamation was recommended in 2003, by the same Panel members who completed the Sunbury review only two years earlier. This difference in approaches and recommendations has never been publicly addressed by the Panel members or the State Government.

In Delatite, one of the most prominent differences was the effective politicisation of the locally-based residents' association; Mansfield and District Residents' and Ratepayers' Association (MADRRA). Formed in January 2000, MADRRA endorsed four candidates for the March 2000 local government elections, all of whom were successful. These four candidates stood on the platform promoting the separation of the Delatite Shire into two new entities, Mansfield and Benalla.

These successful candidates replaced the first democratically-elected council of the new Delatite Shire by one comprised of largely pro-de-amalgamation representatives. Delatite Shire subsequently resolved to determine the views of ratepayers and residents. In December 2000 a consulting firm, Miriam O'Brien and Associates, were appointed to determine the attitudes and perceptions of Delatite residents. Completed in June 2001, the report found 'the majority of residents want the shire divided despite the increased rate cost' (Male & Stock 2002, July, p.2).

In August 2001, the Minister for Local Government wrote to Delatite indicating support for the proposition for two separate municipalities 'provided there is broad community support, community affordability and sustainable futures for the new municipalities' (Male & Stock 2002, July, p.2). A transition plan called the 'Proposed De-Amalgamation of Delatite Shire Council Preferred Framework' was developed by Delatite and forwarded to the Minister for Local Government in December 2001.

In March 2002 a two person Panel was appointed with a more specific Terms of Reference than the Sunbury Panel, but with the same personnel, Mr Male and Mr Stock. This Panel was required to 'examine the feasibility and viability of the Delatite Shire becoming two separate municipalities, one being based in Benalla and one being based in Mansfield'. Completed in July 2002 it concluded:

- Split Delatite Shire into two new Councils; and
- A separate Benalla Shire would be viable at a minimum cost of 0.1 percent rate increase and a separate Mansfield would require a rate increase of 16.8 percent.

The de-amalgamation agenda, driven largely by the Mansfield community, was in full knowledge that the new Shire would be dependent on contracted services from surrounding municipalities, including Benalla. Many lessons were learned from the Hume experience and the Mansfield approach was far more persuasive in arguing for a de-amalgamation proposal, despite similar concerns raised about financial sustainability.

During the Kennett Government's amalgamation, there were allegations of political interference in determining boundary alignments. For example, despite declaring the Geelong region as 'one of the most over governed areas in Australia, with nine Councils for 200,000 people' (Hallam, 1998, p.100), the Borough of Queenscliff was not amalgamated with the City of Greater Geelong. Political interference came in the form of the Kennett Government rejecting the recommendations to include the Borough of Queenscliff with the new Geelong Council. Blacher claimed 'the people of Queenscliff had demonstrated their attachment to their Council' (Blacher, 1998, p.158). Hallam said 'at Queenscliff I was met by an impressive turn out of the local community, quietly expressing an obviously deep felt commitment to their Borough' (1998, p.102).

Chen (2002) reports the former Mayor of Delatite and a Councillor in the Shire of Mansfield, Tom Ingpen who noted:

> *Political interference came, Strathbogie was created because the Deputy Premier lives in Strathbogie and he wanted to carve out his niche. And a lot of resentment came on that front, but also the new Strathbogie economically and numbers wise was the same as the old Mansfield. They create the new Strathbogie that is exactly the same size, without the potential that Mansfield had. So here we start off in a new framework of Delatite Shire with a lot of resentment in the community* (Chen 2002, p. 3).

Not only did aspects of political interference corrode confidence in amalgamation, but interference in de-amalgamation also undermined integrity of an independent process. As with Sunbury and the letter from the Opposition Leader in August 1999, the September 1999 State election was the catalyst for active campaigning for dissolution in Delatite. With the replacement of the Kennett Government and the election of the Bracks

Government, members of the Mansfield community began to feel the option of de-amalgamation may be seriously considered. As David Parsons stated:

> *At that stage there was the feeling that we would never have got anywhere if Kennett was still in power because of the pressures that they had this system, this amalgamation system and they weren't going to change it no matter what people said. When Bracks came into power there was at least a possibility that they would consider it. The Labor Party had nothing to lose by backing [the move for de-amalgamation] because they could say 'well this was a Liberal policy, it's obviously not worked, we'll go in and fix it up* (Chen 2002, p. 8).

Parsons was elected President of MADRRA in early 2000, with the intention of running candidates for council in mid-2000 under a de-amalgamation platform. MADRRA organised incredibly quickly, forming local committees in each Mansfield riding (including Swanpool, which, while straddling both Benalla and Mansfield, was generally considered a 'Benalla' riding) to locate and endorse candidates that would run under their banner (Chen 2002).

MADRRA had two basic objectives: firstly to ensure that enough pro-de-amalgamation Councillors were elected to force the issue at the local government level, and secondly to pressure the State government to be receptive to the de-amalgamation idea. That the issue of de-amalgamation could have State-level political implications would be highlighted by the 2000 by-election in the Benalla seat, with Denise Allen (originally an endorsed MADRRA candidate, but who withdrew for State parliament when the byelection was announced) able to win the seat with a margin of 0.8 percent following the distribution of preferences. Previously, the National Party, under Deputy Premier Pat McNamara, had held the seat by a margin of 14.28 percent at the 1999 State Election, and this reversal of fortune showed not only the lack of personal support afforded the new conservative candidate, but also the strong support by members of the Mansfield community for a candidate who supported their independence. Chen (2002) noted that whilst Denise Allen was a MADRRA member, she gave time to representatives from both sides of the debate.

Chen concluded that 'the political impact of MADRRA in the politics of Delatite was considerable. Prior to the formation of the group, local candidates in the Shire had run as individuals, using low level campaign strategies and personal resources to achieve election' (Chen 2002, p. 9). Following the by-election the Shire approached the Minister for Local Government for his support for a review of the Shire. This was allowed on the proviso that that the council would have to fund the study and that the review comprehensively examine the costs associated with de-amalgamation, the impact of boundary changes on service delivery and governance, and ascertain community support for the proposed changes.

This was a different approach to the Hume City Council case study, and ultimately proved to be more successful in achieving the de-amalgamation objective. Based on this support, the firm of Miriam O'Brien Consulting were commissioned in late 2000 to undertake the review. Miriam O'Brien, based in Mount Beauty, is a respected consultant to all levels of government in Victoria and she has extensive experience with governance issues in both government and the private sector.

In response to the launch of this review, two community groups were hastily organised; the Benalla and District Residents' Association (BADRA) and the Benalla and District Residents' and Ratepayers Association with a local Doctor as President (BADRRA, later to become Benalla First). Chen (2002) notes from the outset Benalla First took the view that de-amalgamation was to be opposed, while BADRA took no position on de-amalgamation and focused its attention on issues of local governance, democracy, and the quality of decision making and community consultation within the northern end of the Shire. The formation of two residents groups in Benalla, independent of each other and with little initial reference to each others' political strategies and agendas (which continues to the present time) also highlights the lack of cohesion within the Benalla community. Mansfield, as a smaller community, was able to maintain a single, unified voice on issues of amalgamation and governance. Within Benalla, on the other hand, the community became initially split between BADRA and Benalla First, a situation that led to initial confusion among residents and tension that spilled over into public debate.

Chen concluded that whilst the community review siphoned debate into the formalised research methodology of Miriam O'Brien Consulting, much of the eventual success of the separatist movement lay in the formation of MADRRA and the establishment of the issue on the council's political agenda (2002, p. 15). This contrast with the Hume City Council case study highlights one of the serious flaws of the de-amalgamation campaign launched by the Sunbury Residents Association which failed to achieve its objectives.

Community input was central to the process of review specified by the Minister and adopted by council in the terms of reference for the Miriam O'Brien contract. Thus, in addition to the development of a Green Paper and preliminary economic assessment of the viability of two new Shires, the review methodology utilised by the consultants emphasised the importance of community views in the final report. This took three forms: first, a series of community meetings were held in the north and south of the Shire, soliciting input based on the release of the Green Paper; second, these open forums were supplemented with more detailed written submissions to the review group, and; third, a survey of community attitudes to council service delivery and de-amalgamation was undertaken. These community meetings were useful in developing a consistent and strong voice for de-amalgamation. This can be contrasted to the Sunbury experience where the Panel's public meetings were attended by only a handful of representatives, and the message was inconsistent due to 'significant personal animosities' that emerged in public forums (Male, 2000, October, p.4).

A community survey was undertaken by Miriam O'Brien and ten percent of the Shire was sampled for the survey, and the questions asked remained exploratory, rather than definitive. This sample size is in excess of that used by Local Government Victoria for annual community satisfaction surveys, however as Chen (2002, p. 16) noted, the survey was somewhat leading, beginning with general questions about the quality of service delivery in the Shire and leading towards twenty-two detailed questions about support for de-amalgamation framed in a manner that highlighted the benefits of division. Options for not dividing the Shire, however, remained limited to one question pertaining to the

establishment of local committees, rather than alternative structures, like a single multi-member electorate for Delatite (which, given the level of political activism in the south, may well have politically favoured the Mansfield community). In reading the survey, it is interesting to note that the legitimacy of the survey findings of the Miriam O'Brien community consultation process has not been questioned, especially with regards to the differential support for de-amalgamation offered by the Mansfield and Benalla ends of the Shire.

The overwhelming strength of the Mansfield community was shown when sixty-three speakers presented before the consultants, while Benalla could only generate fifteen speakers. This general apathy was also reflected in attendance at public information sessions conducted by the consulting firm, with Benalla fielding about 150 people to hear about the consultation process and options for the Shire, while 900 Mansfield residents came to meetings conducted in the southern end of the Shire. This strong, unified view of the Mansfield community has been identified as the most critical factor in support of de-amalgamation, and one reflective of the unity of purpose of the Mansfield community.

Former Delatite Mayor Cummins, holds the view that Mansfield is not only different to most communities, but distinctly different to the residents of the north of the Shire:

> *If you would do your demographics on Mansfield then you would find that there is more doctors and lawyers, let's say educated people. And also passionate people: artistically driven and so on. If you did your demographics then you would find it is higher there than in similar towns … That is very significant of course because what it means is that type of person is setting as a group being represented over here by another type of person: a more prosaic farming community. [The Benalla Community] are not excited about politics, they are not passionate about what you would call issues of form, whereas they are passionate about issues of object. They love building stuff here, it's a very pretty town. Mansfield is not a pretty town … they have more public meetings in Mansfield than you've had hot baths. Everything's decided in public meetings* (Chen 2002, p. 18).

Australian census data does, to some extent, highlight the differences between the northern and southern ends of the Shire (see Table 9) with the Mansfield area containing more professionals and allied professionals, or managerial-level workers, and a greater tendency for high degree education.

Statistical Local Area	Total Population	Median Age	Median Household Income	% Unemployed	% Higher Degree	% Managers	% Professions and Allied
Benalla Urban	8,580	36	$300-499	4.56	0.31	2.19	9.83
Benalla Rural	4,750	38	$500-699	3.26	0.65	11.78	11.38
Benalla Total	*13,330*	*37*		*4.1*	*0.43*	*5.61*	*10.39*
Mansfield	9,163	32	$300-499	2.54	0.84	6.36	15.01

Table 9: Selected demographics for the Delatite Shire, 1996
(Australian Bureau of Statistics, Census Data 1996)

Communities can be identified by the recognised pattern of interactions between their members, and the definition of who is or is not a member of the community are articulated by the population as a whole. Doran notes that is often determined with reference to signifiers in the local area – such as local press, clubs and organisations, and common identification with a locality or mindset. In addition, membership of a particular community need not be exclusive, multiple memberships can co-exist. In Mansfield, both factors are present: the strong Mansfield identification – through the central community centre (the town of Mansfield), shared press, and singular economic interest – as well as a plurality of interests between the permanent residents and the region's large non-resident community of holiday home transients and absentee land owners.

What is interesting, however, was the lack of dissent within the Mansfield community that was evident in Benalla. Chen concludes that the speed at which the issue progressed from the election of the second council, through the community consultation process and

into the Local Government Review Panel may have served to limit the ability for dissent to emerge (2002, p. 20).

One of the interesting things to note in the debate is that, the Benalla residents are portrayed, on both sides of the Shire, as lacking community engagement and this is a fact that cannot be denied (Chen 2002, p. 21). In Mansfield the lack of widespread community differences led to political unity and the suppression of dissent. However in Benalla the combination of political differences and apparent satisfaction with the *status quo* did not activate political engagement with the de-amalgamation issue.

Overall, the Miriam O'Brien report, and the process that surrounded its commissioning was fundamental to the success of the de-amalgamation move. The reports findings, combined with this survey data, presented the view that de-amalgamation was an overriding preference of the Shire, and a move that could be taken without significant backlash from either community. Because of this apparently expert, neutral report, the Community Review stifled dissent from within Benalla, causing Benalla First to conclude that de-amalgamation was inevitable and that it should re-position its strategy to ensuring a favourable outcome when, rather than if, the Shire was divided. That the report's influence in framing the political debate has been so influential, however, is evident in the report of the Review Panel established by the Minister for Local Government to provide analysis of the feasibility of de-amalgamation. In their opening statement, the Panel stated that:

> *We met with key community organisations and stakeholders to ascertain their views and the issues they believed should be considered. However, we did not undertake an extensive community consultation as this has already been done by the Delatite Shire Council in 2001 and we felt there was no need to repeat this process* (Male & Stock 2002, July, p. 3).

For the State government, the irrefutable nature of the Miriam O'Brien report was cemented as fact. For the residents of both Mansfield and Benalla, however, questions

remain as to whether or not they grasped the full political importance of the community consultation process at the time the community review was undertaken.

Delatite received notice on 22 July 2002, with the Premier, Steve Bracks announcing at a 'Community Cabinet' meeting in Mansfield, that the Shire would be wound up, administrators appointed, and elections held in March 2003. This announcement reiterated the government's commitment to consultation with local communities – a key difference of the public agenda of the Bracks government distancing from the Kennett government – and as Chen noted, it was a useful strategy for securing Denise Allen's second term in the electorate of Benalla (won at a by-election following the retirement of Former Deputy Premier in 2000, won again in 2002, however lost in 2006).

Chen (2002, p. 23) noted:

> *From the perspective of the Kennett government, this move would be a travesty of inefficiency – a return to two smaller and less economically viable Shires. If economic efficiency had been the sole motivation of the communities of Benalla and Mansfield, then the issue of de-amalgamation would never have got on the agenda.*

The political interference in determining governance arrangements in local government is not a new phenomenon. As discussed earlier in this chapter, the Borough of Queenscliff is Australia's last remaining Borough Council – a direct consequence of the Kennett Government's intervention in the amalgamation of the Greater Geelong region and rejection of recommendations of the independent report.

It is important to note that while groups like MADRRA and their endorsed Councillors hold the view that pure economics was never the core motivation for de-amalgamation, the issue of service delivery, costs of de-amalgamation, and economic efficiency will remain ongoing problems for both local governments post separation. Premier Bracks was cautious enough to remind the new Shires that their success or failure would not be attributable to his government (Victorian Government, 2002). Interestingly, in 2008 the Victorian Auditor General found the newly formed Benalla Shire to be at high risk from a

financial management perspective whilst Mansfield was performing well (Victorian Government, 2008). In the end, however, the residents of Mansfield were willing to accept an increased cost to accommodate their desire for self determination. As noted by Chen (2002, p. 25):

> *Whilst the Shire of Mansfield will have its own council name, and democratic autonomy, the independence of the Shire from those that surround it (and commercial service providers in the private sector) will be somewhat curtailed.*

The character of the de-amalgamation debate illustrates two things. First, the effectiveness of grassroots community organisations in achieving significant political outcomes, and second, the way that strategic decisions with significant impacts can be made early in political debate and shape or frame on the structure and outcome of policy making. In constructing the community consultation process as one that led inevitably to de-amalgamation as its sole focus, few alternative propositions were considered in the same depth as separation, and the use of survey data as a proxy indicator for a referendum remains questionable in terms of the actual democratic input into the process.

3.8 Conclusion

This chapter has described the case studies of Hume and Delatite. Both cases reflect the conceptual complexity of separatist debates, and hold with models of separatism found in other parts of Australia (Allan 2003, Doran 1981). This is a recurring theme in local government amalgamations and debates about appropriate governance and institutional frameworks for community administration. That the general tenor of the debate has been limited to views of disadvantage and desires for independence from central administration, however, is not outside of the general orientation of much of the political dialogue within Australia. The challenge facing public policy administrators is to negotiate the tangled weave of issues that create a situation of wicked problems. These problems can not be managed in the traditional ways, they require innovative responses that are unconventional.

Chapter 4: Data, Perceptions and Understandings

4.1 Introduction

This chapter introduces other aspects of data collation, primarily publicly available evidence, and interviews with community activists. Previous chapters have explored the case study and literature review elements of this thesis. This chapter seeks to present and describe the data collected in a locally based approach that has application to a wider scope than simply the Hume City Council case study. Inherent in this narrative are elements of community identity, trust, institutional structures and resourcing of local government in Victoria. Of particular relevance is the discussion surrounding economies of scale and the impact of amalgamations on financial independence and long term sustainability. These themes are explored through the sections in this chapter that describe the revenue and expenditure patterns and population and demographic trends associated with the Hume City Council case study.

The thesis aims to examine the sources for the discontent that has been experienced at Hume City Council as a direct result of the local government reforms introduced during the 1990s. This is demonstrated through the interpretative data collected through interviews with participants that have a publicly expressed interest in this case. These interviews highlight the sources of discontent and are based on key concepts that were explored in Chapters 2 and 3 and will be used as a foundation for this chapter.

The interpretative and secondary source data presented in this chapter demonstrates the effectiveness of local government amalgamations in being able to deliver benefits in an outer suburban context. Whilst amalgamations have delivered many benefits through economies of scale and increased resources, this has been at the cost of trust, community identity and local governance. These findings are applicable to most examples of local government amalgamation, and the challenge facing policy makers in the post-amalgamation period is to overcome these barriers.

4.2 Methodology

A critical component of the research methodology is the collection of data from various sources. The methodology of this thesis can be segregated into two discrete aspects, firstly a descriptive narrative which is secondary source, and secondly, an interpretative narrative which is political and interview based.

The first aspect is based on information collected from persons involved in the Hume City Council case study, largely perceptions of facts and events – an interpretative approach. The second aspect of this narrative is based on primary and secondary sources such as government documents and publications – a descriptive approach. The differences between these two approaches provide a sound basis for presenting data for this case study thesis. 'Interpretative based' means qualitative data collected through semi-structured interviews that were a combination of participant led interviews and the use of questions to generate discussion. They were open-ended, flexible enough to facilitate the emergence of new and unanticipated categories of meaning and experiences. In contrast to secondary source which means quantitative data collected through established institutional sources such as the Australian Bureau of Statistics, Department of Planning and Community Development and Hume City Council.

As the research has used primarily qualitative data, particularly the interviews and the case study, components of research design were examined. Yin (1984) argues that whilst case studies may be considered inadequate in the scientific community because replication may not be possible, they are used extensively in the social sciences – including theoretical disciplines such as psychology, sociology, political science, anthropology, history and economics, as well as practice-oriented fields such as urban planning, public administration, public policy, management and education. The research conducted for this thesis is aligned to Yin's broad social science definition and a case study methodology was considered appropriate. This methodology follows the recommendation of his and has four stages:

1. Design the case study, by determining the required skills;

2. Conduct the case study, through data collection and interviews;

3. Analyse the case study, through an analytic strategy; and

4. Develop conclusions, recommendations and implications.

Yin (1994) suggested that the researcher must also possess or acquire the following skills: the ability to ask good questions and to interpret the responses, be a good listener, be adaptive and flexible so as to react to various situations, have a firm grasp of the issues being studied and be unbiased by preconceived notions. The researcher of this thesis has attempted to acquire or further develop these skills during this research process. For example, interviews were conducted using a range of structured questions however they were also allowed to evolve through open-ended discussion allowing flexible and adaptive data collection.

The research has drawn on a diverse range of sources including telephone interviews, face-to-face interviews with local government professionals, consultants, Councilors, local Members of State Parliament and State Government officials. The research has also used empirical data from a wide range of data sets and sources such as Auditor General Reports, Annual Reports, local government league tables, Australian Bureau of Statistics reports and demographic analysis conducted for the Victorian Government by the Department of Planning and Community Development. These data sources are described in further detail throughout this chapter.

4.3 Secondary Data

Yin (1994) explains that the case study methodology requires triangulation of data sources, with each other and among different researchers exploring the same data. Data collected from secondary sources such as government agencies such as the Australian Bureau of Statistics, Hume City Council, Office of Local Government Victoria, Auditor General and the Department of Planning and Community Development provides both financial and demographic data that is useful in this thesis for providing answers to the

research questions. In this section, this data draws conclusions about revenue and expenditure patterns together with staffing and population data in Victorian local government. Both the financial and the population data is of critical importance to the Hume City Council case study as both have been used by proponents and opponents of the local government amalgamation process. This secondary source data is useful to triangulate the interpretative narrative that is a result of the interviews. Supporters of amalgamation point to the economies of scale that can be achieved, whilst community activists who resist amalgamation or attempt to influence de-amalgamation point to population figures as a reason for balkanisation of the existing local government boundaries.

One of the difficulties experienced when collecting data across municipalities is the lack of consistent performance monitoring system in place. During the amalgamation process, local government accountability was a central theme of the reformers. Standard performance monitoring was introduced to develop a system whereby 'league tables' could be collated for the purposes of local government comparison. Table 10 shows the five broad categories of council responsibilities that were introduced during amalgamations to assess the performance for each category of responsibility. These local government indicators have been the standard performance monitoring targets in local government reporting since 2000-01. They are mandatory reporting requirements in annual reports. Councils have been required to disclose their performance against the first seven indicators since 2001-01, reporting of the remaining indicators occurred from 2001-02.

Whilst performance monitoring is now standard practice in local government, the Victorian Auditor General found there is no process in place to ensure consistency in calculation of these indicators and thus the State Government cannot be certain the information will be accurate, reliable and comparable (Victorian Government 2008). Despite this fundamental flaw in the data integrity, in the absence of a better system this data is the best available at this moment in time for the purposes of this thesis. As a

result, this data has been used in this chapter to measure the performance of Hume City Council since the 2000/01 financial year.

Category	Aim	Indicators
Affordability/ cost of governance	To monitor the overall costs of the local government sector.	1. Average rates and charges per assessment. 2. Average rates and charges per residential assessment.
Sustainability	To provide assurance that the system of local government is financially and economically viable.	3. Average liabilities per assessment. 4. Operating surplus/(deficit) prior to capital funding.
Services	To give an overview of the level of service provision over time.	5. Average operating expenditure per assessment. 6. Community satisfaction rating for overall performance of council.
Infrastructure	To provide an indication as to whether infrastructure assets are being maintained or eroded.	7. Average capital expenditure per assessment. 8. Renewal gap. 9. Renewal gap and maintenance gap.
Governance	To provide an indication of the democratic governance of local governments.	10. Council advocacy: Constituent satisfaction rating for council's advocacy on key local government issues. 11. Community participation: Constituent satisfaction rating for council's engagement of the public in decision making on key local issues.

Table 10: Victorian Local Government Indicators
(Victorian Government, 2002)

In response to the questionable integrity of the calculation of local government performance data, the Auditor General suggested that future performance monitoring focus on a quantitative performance indicator framework shown in Table 11. To date, the State Government has not changed the performance monitoring framework. If it were adopted more accurate data may have been available for this thesis.

Operations Attributes	Input	Process	Output	Outcome
Quality	Staff turnover in grants unit	Rework required after quality review %	Compliance with grant guidelines %	Recovery rate for grants misused
Quantity	FTE grants staff	Number of grant applications processed	Number of grant applications approved	Percentage and dollar value of grants unused at year end
Time	Backlog of applications %	Elapsed days to review a grant application and make a decision	Percentage of grants provided within agreed timeframe	Percentage of grants requiring extension to approved timeframe
Cost	Salaries of staff involved in grant processing	Average cost per grant processed	Actual grants paid against budget	Cost of further/ additional grants required

Table 11: Auditor General quantitative performance indicator framework
(Victorian Government 2008, p.10)

4.3.1 Revenue and Expenditure

The overwhelming drive for local government amalgamation is 'bigger is better' (Dollery & Byrnes 2002). This section details the aspect of revenue and expenditure in local government in Australia, in Victoria and in the Hume City Council case. From this data, conclusions can be drawn that respond directly to the research question of the effectiveness of local government amalgamation, particularly in an outer suburban context. In addition this data provides guidance on aspects of governance and administration principles that have been applied in Hume following local government amalgamations.

Local government in Australia and Victoria is heavily dependent on rate revenue. Rates are taxes levied on the value of all classes of property in a geographic area. On average, sixty percent of Australian local government revenue comes from rates, seventeen percent from state grants, sixteen percent from commonwealth grants and approximately

six percent from business activities (Gerritsen & Osborn 1997, p. 71). Hume City Council is not consistent with this Australia-wide assessment of local government revenue collection. Only fifty percent of Hume City Council's revenue comes from rates (ten per cent lower than Gerritsen & Osborn's research), seventeen percent from state and commonwealth government grants (sixteen percent lower), with the remainder comprising of contributions (sixteen percent), user fees (twelve percent), fees and fines (two percent) and 'other revenue' (two percent) (Hume City Council, 2007, p.155). This discrepancy is not unusual, it may be the result of different calculations or different methodologies, however the more likely explanation can be attributed to the nature of this outer suburban municipality with higher levels of subdivision activity and developer contributions (such as roads, services etc.). This conclusion is sound as the Hume City Council revenue proportions are comparable with the averages for outer metropolitan councils, as identified in Figure 27.

Hume City Council is a metropolitan growth council with one of the highest rates of new subdivision activity in Australia, its population growth is consistently above the metropolitan average (Department of Sustainability and Environment 2004). Whilst population growth and new subdivision activity is one cause of the difference, there is also a significant variation in government grant funding (33 percent to 16 percent). While Hume City Council receives less than the Australian average, Figures 26 and 27 compare the average revenues for Victorian local government with the average for outer metropolitan councils. This reveals Hume City Council's apparent lack of grant revenue is consistent with both the Victorian average and the outer metropolitan averages – with the exception of the substantial difference in contributions with 12 percent as a state-wide average compared to 20 percent for outer metropolitan.

■ Rates and other charges	48%
■ User fees and charges	14%
■ Grants	19%
■ Contributions	12%
■ Other	7%
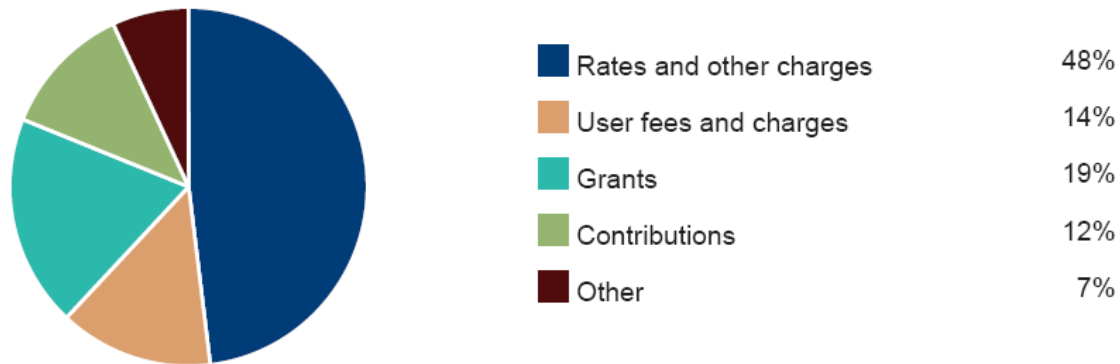
Figure 26: Average local government revenue composition 2006-07
(Victorian Government, 2008, p.29)

■ Rates and other charges	48%
■ User fees and charges	10%
■ Grants	17%
■ Contributions	20%
■ Other	5%
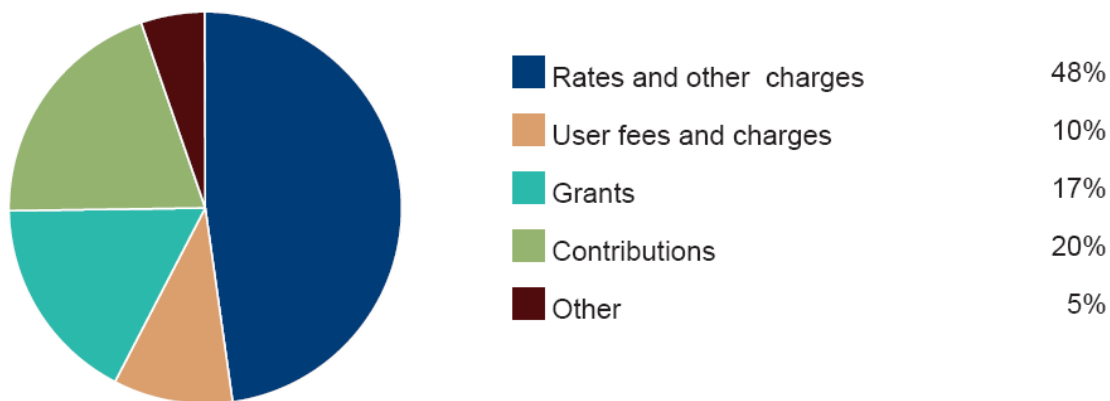
Figure 27: Average outer metropolitan councils revenue composition 2006-07
(Victorian Government, 2008, p.42)

With a slightly higher reliance on rate revenue than the Victorian and outer metropolitan averages, Hume City Council's rate revenues have increased dramatically since its first full financial year 1995-96 following establishment in December 1994. Figure 28 shows this growth in rate revenue from only $24 million in 1995-96, to $37 million in 2000-01 (the time of the Panel report) to $77 million in 2007-08 (Hume City Council 2008, p.275). This dramatic escalation in rate revenue is consistent across Victoria, which has recorded the strongest increases in rate revenues between 1998-99 and 2005-06 of any Australian state (Productivity Commission, 2007, December, p.29).
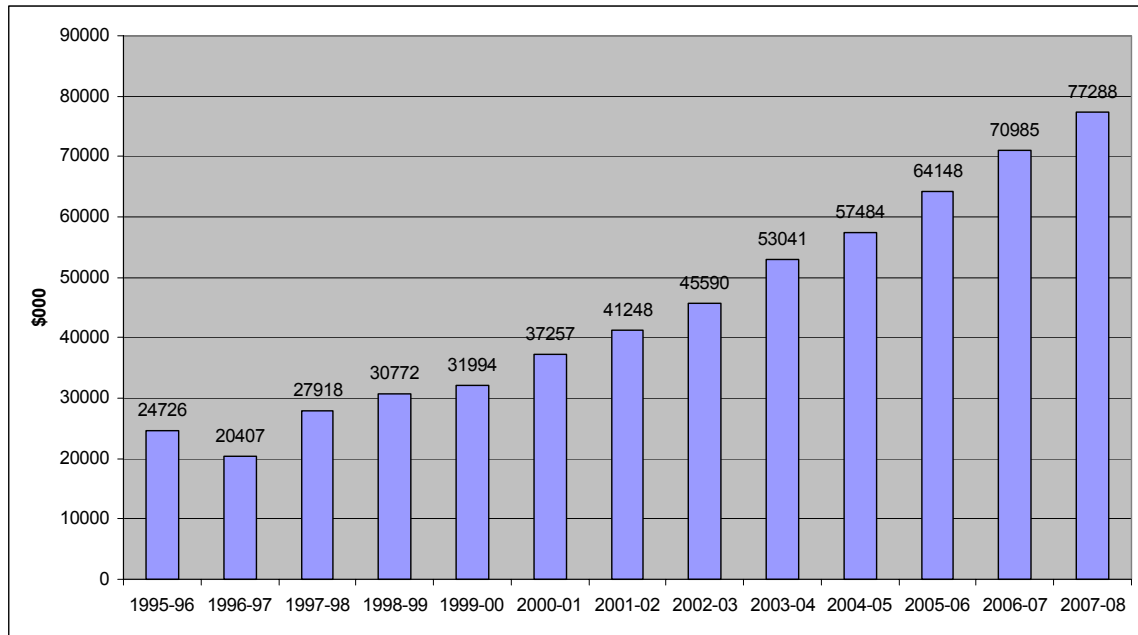
Figure 28: Hume City Council Rate Revenues
(Hume City Council, Annual Reports 1995-2008)

During the period from 1994 to 2000 Hume City Council had four significant budget deficits, the first during amalgamations in 1994-95 at $15.7 million, secondly in 1996-97 at $26.02 million, thirdly in 1998-99 with $6.797 million and finally in 1999-2000 with $8.87 million. These deficits totaled $57.41 million spread over a six year period. This was a turbulent time for Hume City Council, however from 1999-2000 (and the Panel report was based on 2000-01 budget data) Hume City Council began an unprecedented period of growth in revenues and has since posted consecutive surpluses, totaling over $229 million, shown in Table 12.

	Revenue	Expenses	Surplus/Deficit
1994-95	19,499	34,096	-15,723
1995-96	52,299	49,096	2,897
1996-97	47,507	61,806	-26,022
1997-98	61,513	69,796	3,264
1998-99	69,091	72,276	-6,797
1999-2000	73,856	82,727	-8,871
2000-01	104,610	78,858	25,751
2001-02	110,243	95,180	15,057
2002-03	113,730	91,494	20,019
2003-04	127,522	98,288	27,264
2004-05	132,750	105,903	20,002
2005-06	152,156	111,196	39,175
2006-07	141,628	108,624	32,814
2007-08	164,449	115,943	49,177

Table 12: Hume City Council Total Revenues, Expenses and Surplus/Deficit ($000s)
(Hume City Council, Annual Reports 1994-2008)

Interestingly while Hume City Council's financial situation has improved significantly, the proportion of increases in revenue has not been matched by increased expenditure. Figure 29 shows a widening gap between revenue and expenses that is contributing to the significant budget surpluses in recent years. This becomes an important fact when comparing comments from de-amalgamation supporters who question the levels of Council expenditure, particularly in Sunbury. This relates directly to the research question of the effectiveness of local government amalgamations in this outer suburban context in delivering administrative and economic benefits, together with providing an environment in which key concepts of trust, identity, governance and government have prospered.
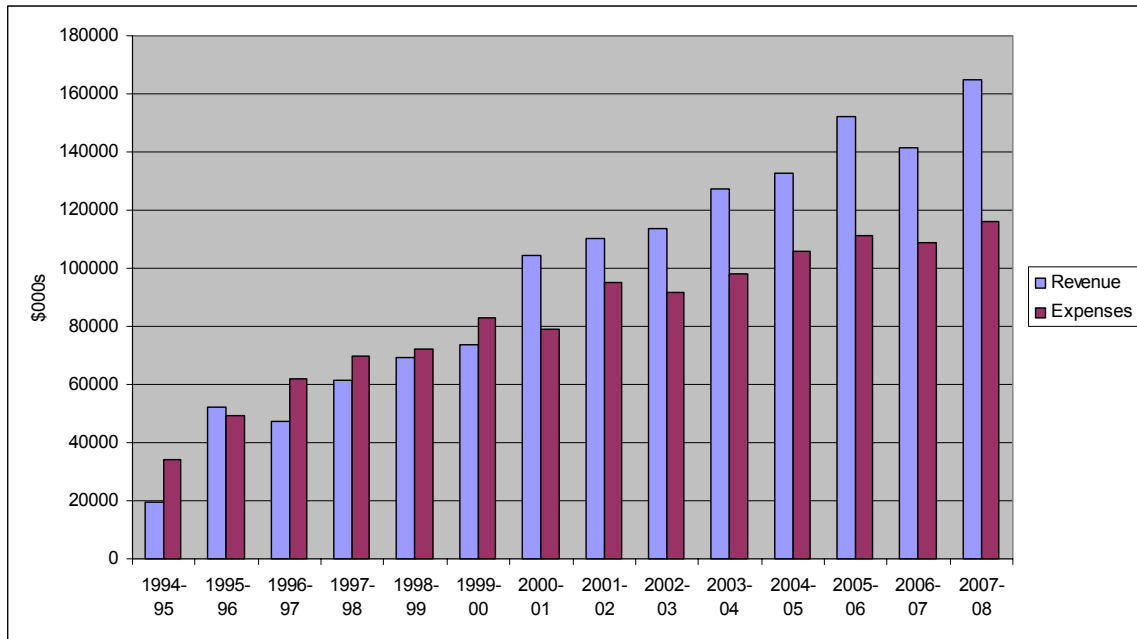
Figure 29: Hume City Council Total Revenues and Expenses
(Hume City Council, Annual Reports 1994-2008)

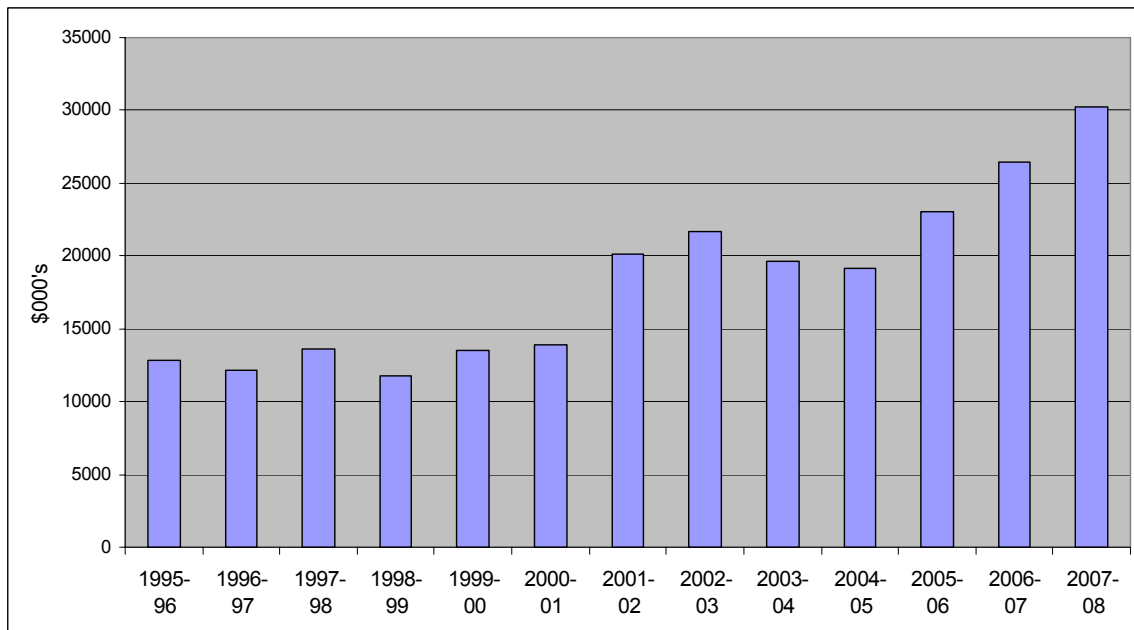
Figure 30: Hume City Council Grant Revenues
(Hume City Council, Annual Reports 1995-2008)

Whilst the proportion of revenue Hume City Council collects from State and Commonwealth government grants is consistent with the outer metropolitan average, it has increased significantly as a nominal amount since amalgamations. Figure 30 shows this dramatic growth: in the period from 1999-2000 to 2006-07, grant revenue has doubled from $13 million to $26 million, and in 2007-08 grant revenue totaled $30 million. This increase in grant revenue can be attributed to the formula of cost adjustors used to determine the local government's funding needs. This formula is used by the Victorian Grants Commission and includes factors likely to benefit Hume City Council including levels of population growth, population dispersion, length of kerbed road network, socio-economic indicators, English proficiency and environmental risks. This formula is shown in Table 13.

|	Aged Pensioners	English Proficiency	Environmental Risk	Indigenous Population	Kerbed Roads	Population Density	Population Dispersion	Population Growth	Population Under 6 Years	Regional Significance	Remoteness	Scale	Socio-Economic	Tourism
Governance		25%		10%			25%				20%	20%		
Family & Community Services		10%		10%			10%	10%	40%				20%	
Aged & Disabled Services	20%	20%					30%						30%	
Recreation & Culture							25%	10%		40%				25%
Waste Management						20%	50%					30%		
Local Roads & Bridges	Cost adjustors not applied - based on local road model network costs													
Traffic & Street Management					25%		25%			35%				15%
Other Infrastructure Services			15%				25%	25%			25%	10%		
Business & Economic Services								10%		30%	20%	30%		10%

Table 13: Victorian Grants Commission Cost Adjustors and Functions
(Victorian Grants Commission, 2007, p.17)

The use of these cost adjustors allow the Victorian Grants Commission to take account of the particular characteristics of individual councils which impact on the cost of service provision on a comparable basis. There are a total of fourteen cost adjustors used. These cost adjustors link closely the discussion about population and demographic change later in this chapter.
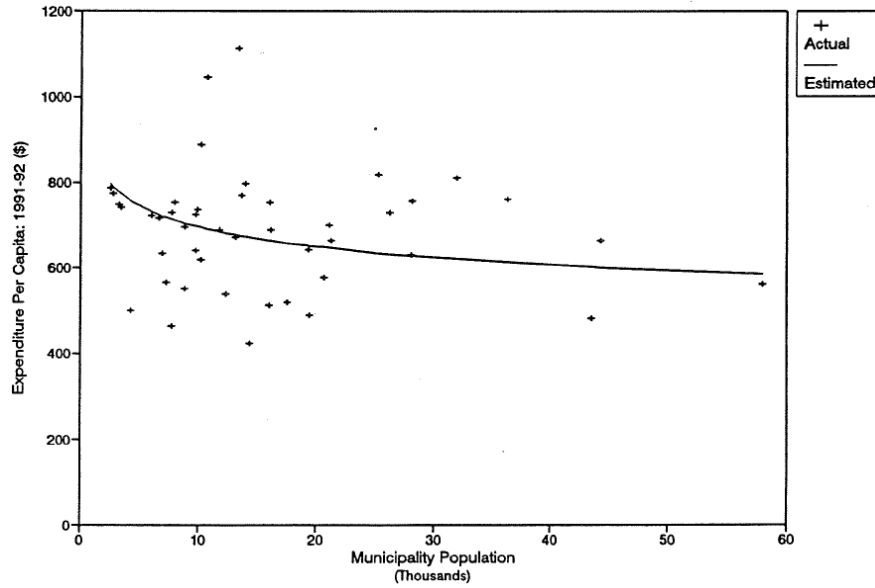
4.4.1.1 Economies of scale

Another comparison used extensively in local government is the comparison of total council expenditure and total council employment. This ratio can show the level of expenditure relative to the levels of staffing at council – a measure of efficiency and productivity that demonstrates economies of scale. Figure 31 shows total expenditure data on a per capita basis for all metropolitan councils in 1991-92. This data was compiled for the report 'Structure and Efficiency' completed by the Victorian Office of Local Government. This document was particularly influential in the discussion within Victoria on the merits of local government amalgamations. The crosses on Figures 31, 32 and 33 indicate the relationship between expenditure per capita for individual councils. The lines on Figure 31, 32 and 33 show the average relationship between the crosses. This graph and the statistical data used by the Office of Local Government to create it, predicts that per capita expenditure for a metropolitan council of any given size will be about 24 percent lower than for a council with half its population.

This critical finding indicates strong economies of scale in metropolitan local government as a consequence of amalgamation. Whilst significantly dated, the results using the same assumptions today indicate that Hume City Council has achieved significant economies of scale, with a population of 155,224 (Hume City Council, 2007, p.2) and council employment expenditure of $48 million (Hume City Council, 2007, p.149) resulting in a per capita expenditure of $311. Using the 'Structure and Efficiency' assumptions, if Hume City Council had half its population, per capita expenditure on staffing would be $385, still well below the 1991-92 figures indicating the efficiencies achieved since amalgamations without accounting for the effects of inflation.
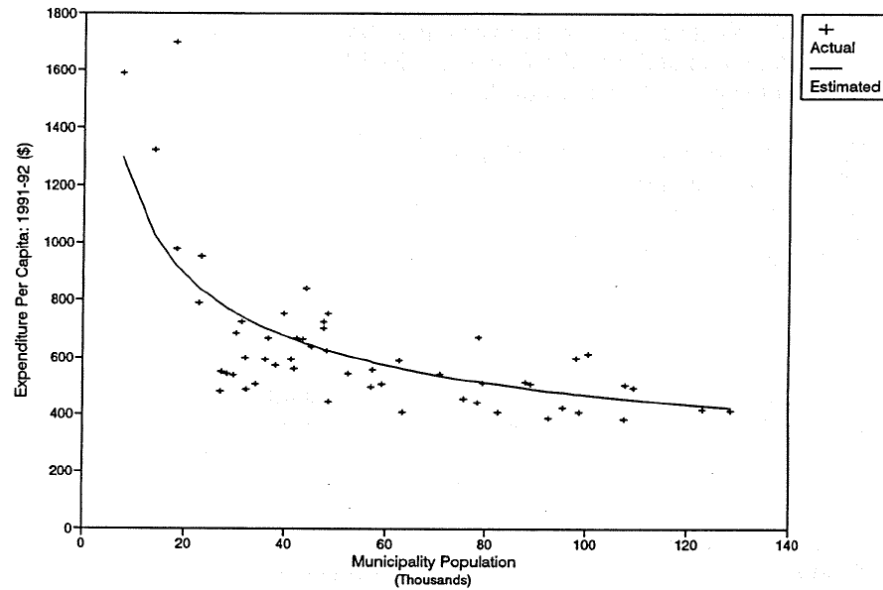
Figure 31: Metropolitan council employee expenditure per capita 1991-92
(Victorian Government 1994, p. 8)

Slightly weaker but still significant relationships were found for local government elsewhere in Victoria. Figure 31 shows that total expenditure per capita for a council of a given size will be about seven percent less than for a council with half its population. For rural shires, total expenditure per capita can be expected to be about thirteen per cent less than a council half its size (Victorian Government 1994, p. 7). Again, demonstrating the economies of scale created as a result of local government amalgamations.

Figure 32: Provincial centres expenditure per capita 1991-92
(Victorian Government 1994, p. 8)
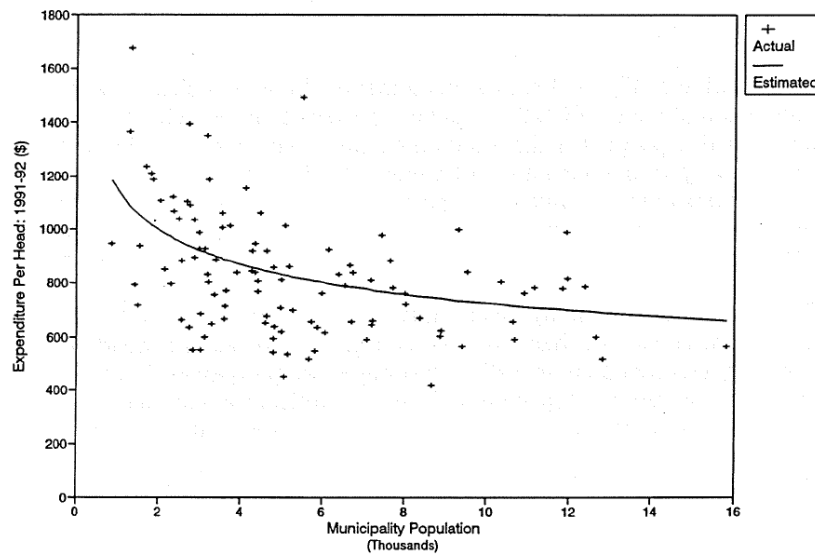
Figure 33: Rural shire expenditure per capita 1991-92
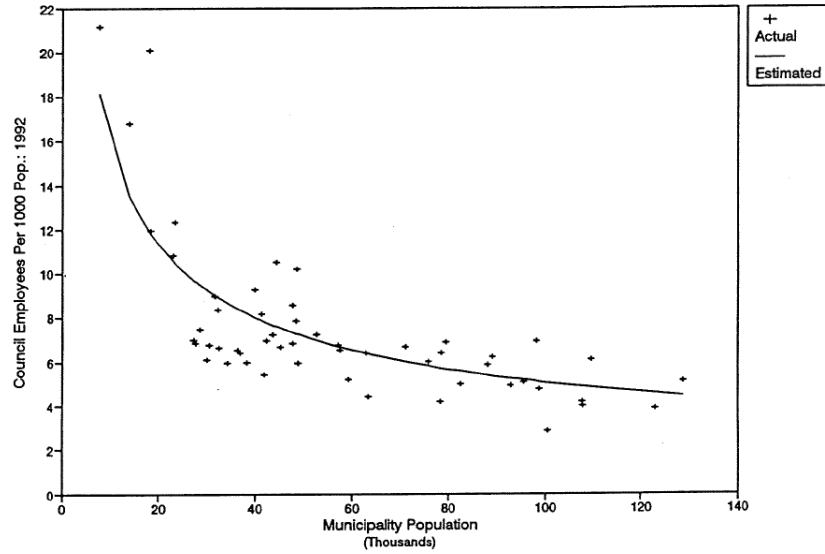(Victorian Government 1994, p. 9)

Similar economies of scale were found to exist for council staff employment. Figures 34, 35 and 36 suggest a close relationship between per capita employment and population size, with the number of employees per capita tending to be lower in more populous municipalities than in smaller ones. A metropolitan municipality with a population of

100,000 could be expected to employ about 500 staff (at a rate of five per thousand residents), whereas a smaller metropolitan council with a population of around 25,000 could be expected to employ about 250 staff (at a rate of ten per thousand residents).

Interestingly, the comparison with Hume City Council indicates that with 155,224 residents (Hume City Council, 2007, p.2) and with 1,344 staff in total, (Hume City Council, 2007, p.117) there is a per capita rate of nine staff per thousand residents and is thus over-staffed, however this is all staff – inclusive of part time and casual and a 'Equivalent Full Time' (EFT) figure was not available. The most recent EFT staffing was provided for 2003-04 when 799 EFT staff were employed (Hume City Council, 2004, p.77) at a time when Hume City Council's population was 148,000 (Hume City Council, 2004, p.4). This would indicate, based on the 'Structure and Efficiency' targets that Hume City Council should have an EFT of 740, slightly less than the actual of 799, indicating a level of staffing in excess of the metropolitan average for 1991-92.

'Structure and Efficiency' found that the larger the municipality the larger the total workforce, however, the number of people employed per capita will be about half that of a smaller municipality (Victorian Government 1994, p. 10). These figures suggest that there is a slightly stronger economy of scale for total employment than for expenditure. This may reflect larger council's tendency to contract out a greater range of services than smaller ones do. Using the 'Structure and Efficiency' assumptions, if Hume City Council halved its population and a second Council was established in equal halves, per capita staffing for the two councils would be 1,198, indicating that efficiencies have been achieved through amalgamation. The data for both expenditure and employment indicates that there are economies of scale in local government amalgamations.

Figure 34: Metropolitan council employees per capita 1991-92
(Victorian Government 1994, p. 11)
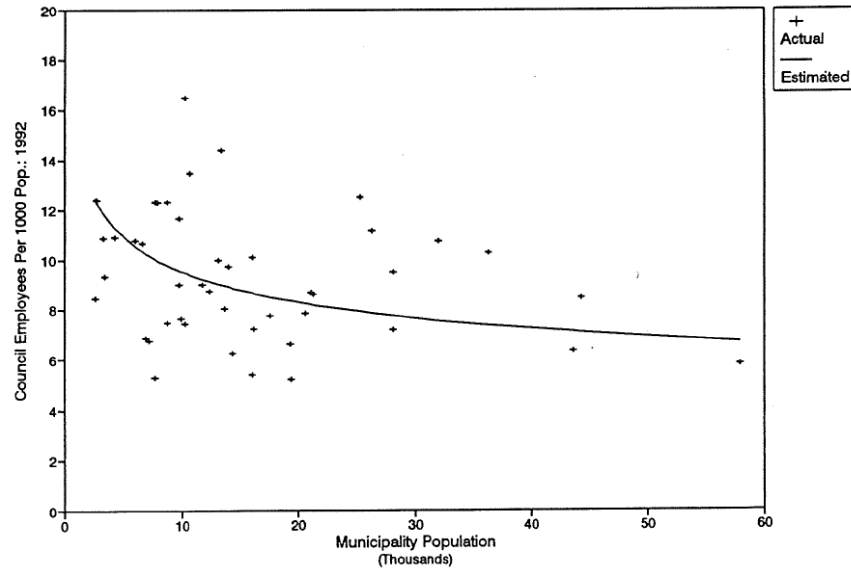
Figure 35: Provincial centres employees per capita 1991-92
(Victorian Government 1994, p. 11)
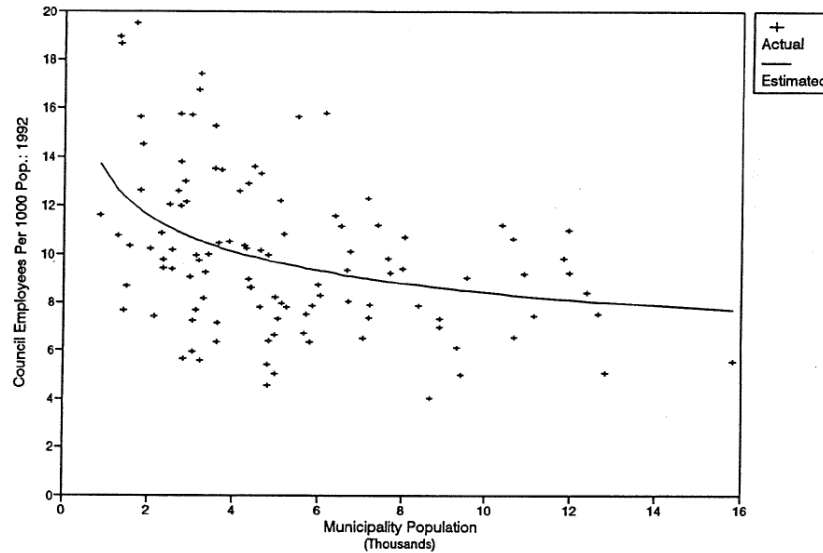
Figure 36: Rural shire employees per capita 1991-92
(Victorian Government 1994, p. 12)

Whilst economies of scale have been achieved, employee costs at Hume City Council have increased significantly in the period since amalgamation. Figure 37 shows the increased cost of employee entitlements from the period of 1995-96 to 2007-08. Whilst data is unavailable for the period 2004-05 onwards, in the period 1999-2000 to 2003-04 Hume City Council's EFT staff increased from 615 (Hume City Council, 2000) to 799 (Hume City Council, 2004, p.77) in that five year period, representing an increase of 30 percent, or six percent per year. Projected forward using this growth rate, Hume City Council should have approximately 1,000 staff in 2007-08. This is important in the context of significant reductions in council staff during and after amalgamations, as shown in Figure 38, where total employment in local government in Victoria fell from over 45,000 to 30,000 in the period from 1993-94 to 1996-97, corresponding with an increase in the average number of staff at each municipality as a result of amalgamated and fewer councils.
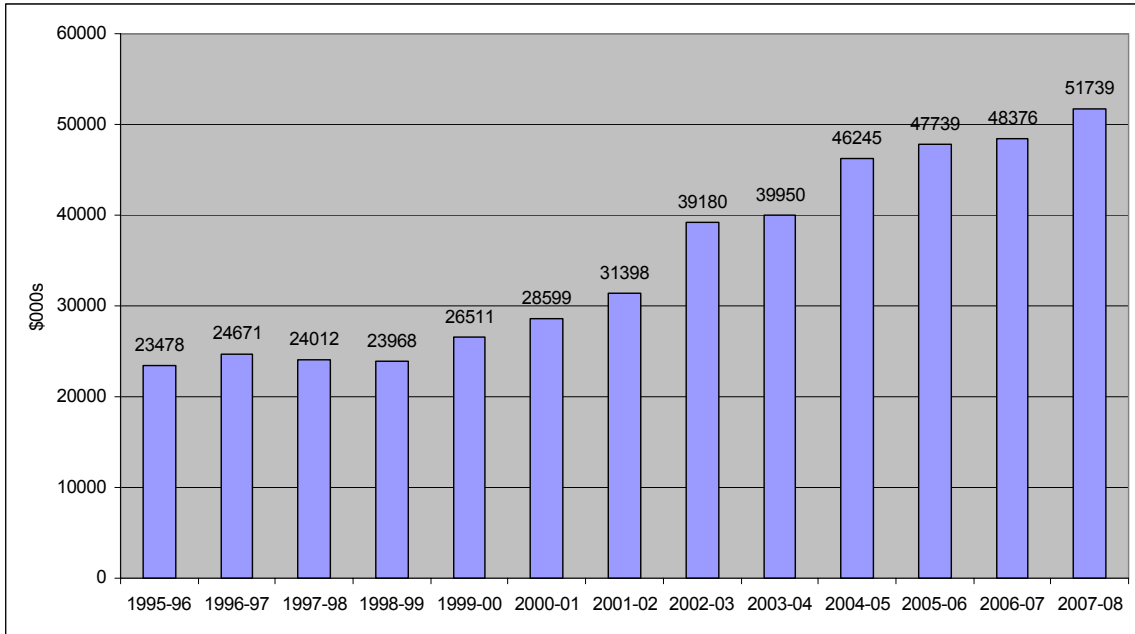
Figure 37: Hume City Council Employee Costs ($000s)
(Hume City Council, Annual Reports 1995-2008)
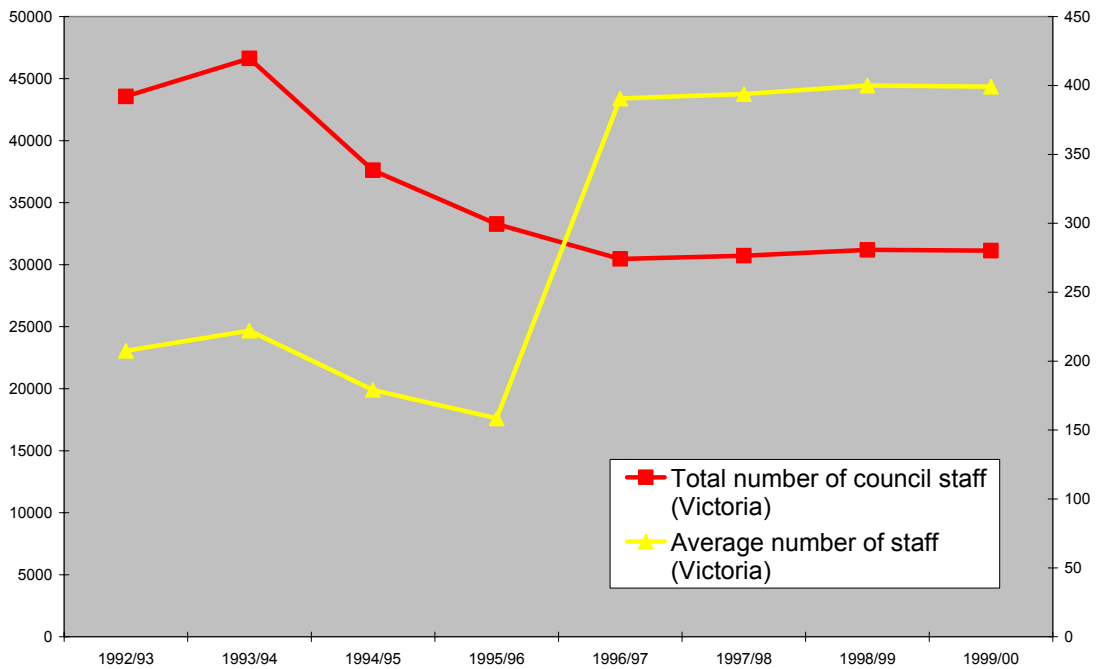
Figure 38: Victorian local government staffing before and after amalgamations
(Economic Development Committee, 2002, Appendix 7)

Figure 39 shows the average actual Council expenditure by division within the organisation, prepared by the Victorian Grants Commission, this is the average across Victoria. A breakdown of data is unavailable for Hume City Council's internal expenditure for each business unit, however comparable data is available for total expenditure. It is interesting to note the difference between Hume City Council's expenditure with a comparable chart prepared by the Victoria Auditor General. Figures 40 and 41 show the average local government expenditure composition in Victoria and for Hume City Council. From these figures it is apparent that Hume City Council's employee expenditure is significantly above the state average – 45 percent of total budget compared to a state average of 36 percent.
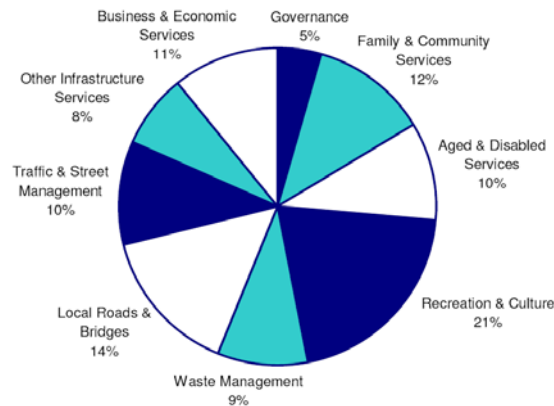
Figure 39: Average Victorian local government expenditure 2006-07
(Victorian Grants Commission, 2007, p.14)

Employee benefits	36%
Contract payments	38%
Depreciation	17%
Borrowing costs	1%
Other	8%
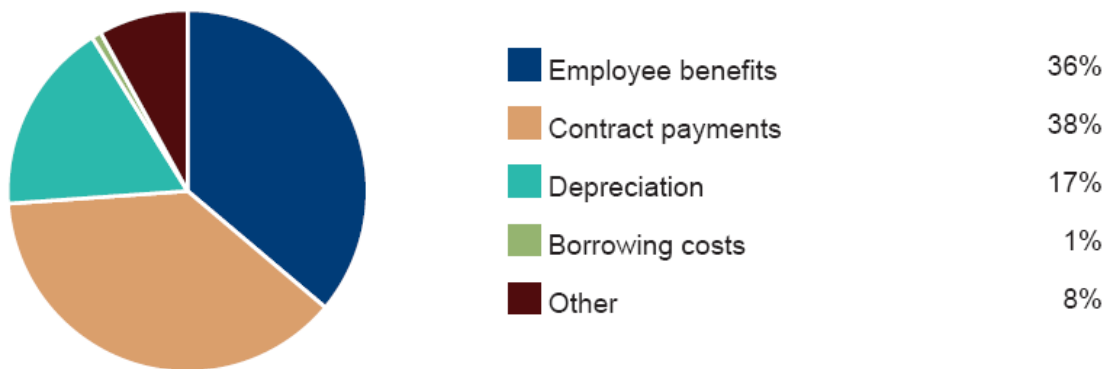
Figure 40: Average Victorian local government expenditure 2006-07
(Victorian Government, 2008, p.29)

EXPENDITURE SOURCES 2006/07

- Employee benefits - **45%**
- Materials and services - **30%**
- Grants, contributions and donations - **2%**
- Depreciation and amortisation - **15%**
- Other expenses - **2%**
- Finance costs - **2%**
- Bad and doubtful debts - **1%**
- Utility charges - **3%**
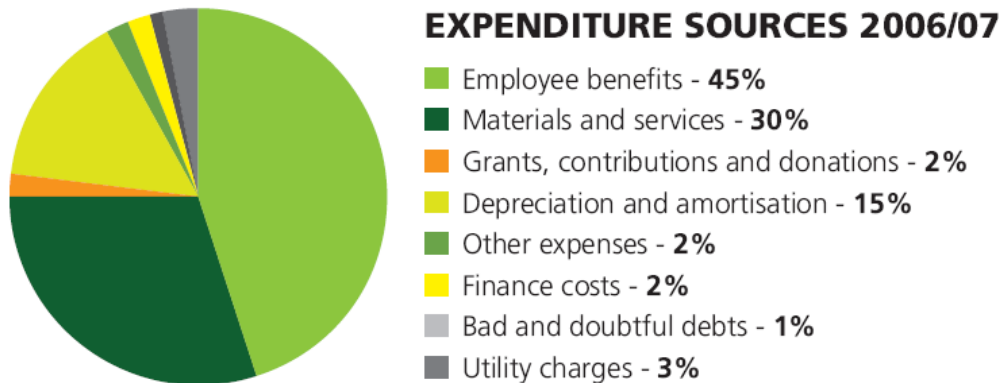
Figure 41: Hume City Council expenditure composition 2006-07
(Hume City Council, 2007, p.16)

Previously in this chapter it was identified that Hume City Council's proportion of expenditure has not been matched at the same levels as increases in revenues. Figure 42 shows Hume City Council's expenditure on roads, a fundamental responsibility of local government expenditure, and this graph demonstrates the dramatic escalation in the capital works program being undertaken in the period 2004-05 onwards. This lag period between revenue collection and capital expenditure was identified by several interview participants in this research as an area of concern particularly in light of population growth and this reflects on the research questions of the effectiveness of local government amalgamations in delivering benefits in this outer suburban context and whether the amalgamations created an environment in which key concepts of trust, identity, governance and government have prospered. The interpretative narrative described in the next section of this chapter indicates that the levels of expenditure and perceptions about underspending in infrastructure such as roads have contributed to a reduction in the trust of community members towards local government.
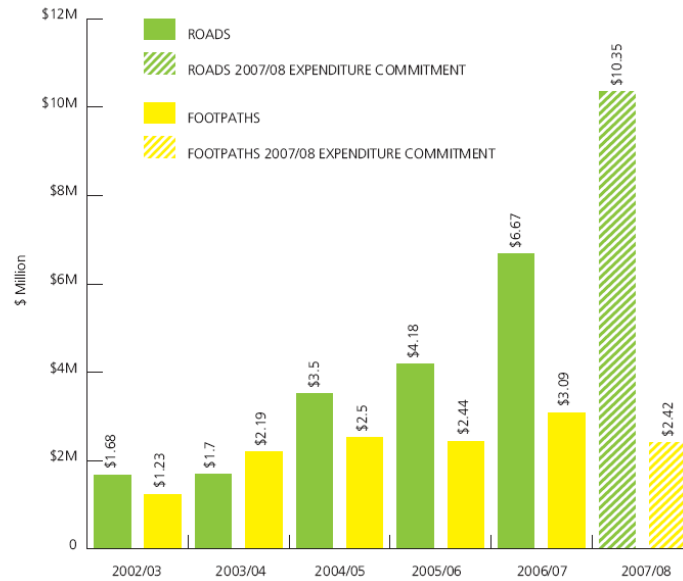
Figure 42: Hume City Council Road and Footpath Expenditure
(Hume City Council, 2007, p.94)

4.4.1.2 Small council sustainability

The underinvestment in capital works by local government discussed previously was reported in February 2008, when the Victorian Auditor General investigated financial sustainability in local government. He found several councils were in the 'high risk' category as they had experienced persistent operating deficits, and there was evidence that their investment in infrastructure had not kept pace with the rate they were using their assets (Victorian Government, 2008, p.3). These councils were Colac Otway (21,698 residents), Central Goldfields (12,989) and Moorabool (26,721). Whilst Hume City Council was rated as a 'low risk', its five year average investment gap ratio was rated as a 'medium risk' of longer term sustainability (Victorian Government, 2008, p.43). The summary of the Auditor's risk ratings is shown in Table 14. The Auditor General measured financial performance in local government as 'the difference between revenue inflows and expenditure outflows' (Victorian Government, 2008, p.28). This performance criterion requires the objective of generating a sufficient surplus from operations over time to be able to fund asset replacement, new asset acquisition and retirement of debt. The Auditor General measured Council's financial position as 'the

difference between total assets and total liabilities' (Victorian Government, 2008, p.31). In this respect, the case of Hume City Council is in a healthy financial position going forward despite an increase in debts as a result of new office building construction in Broadmeadows during 2006/07.

Council group	Risk			
	High	**Moderate**	**Low**	**Total**
Inner metropolitan	-	4	13	17
Outer metropolitan	-	3	11	14
Regional city	-	4	7	11
Large shire	2	2	11	15
Small shire	1	5	16	22
Total	**3**	**18**	**58**	**79**

Table 14: Local government financial sustainability risk rating
(Victorian Government, 2008, p.3)

Rates and other charges	41%
User fees and charges	10%
Grants	38%
Contributions	3%
Other	8%
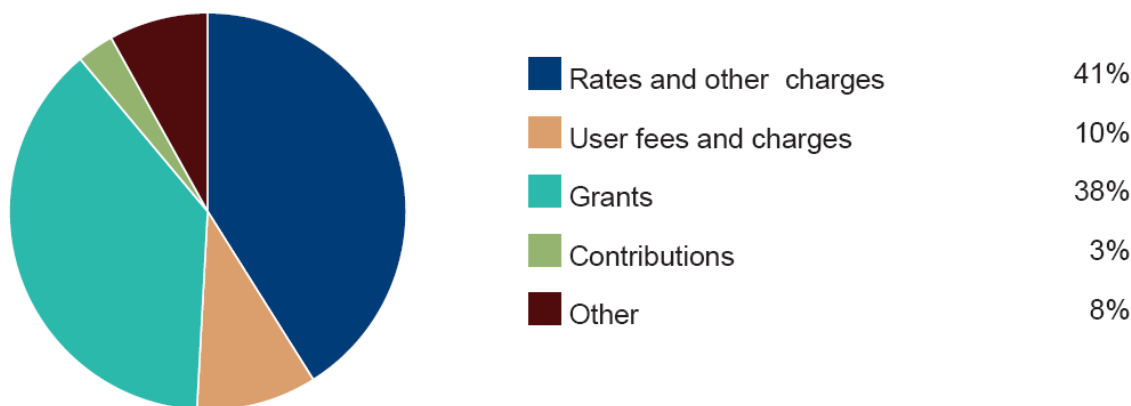
Figure 43: Average small shire councils revenue composition 2006-07
(Victorian Government, 2008, p.52)

It is interesting to compare Figure 43 with Figures 26 and 27. Small shire councils rely much more heavily on transfer payments (government grants) than outer metropolitan or the state-wide Victoria average (38 percent of revenue for a small shire, compared to 17 percent for outer metropolitan councils and 19 percent as a state-wide average). Small shires also have less flexibility to raise revenue over which they can make autonomous spending decisions (such as a large and diverse rate base). As the level of government

grants is determined by the Victoria Grants Commission, councils have little control over what is received from year-to-year, and any sustained decrease in the level of grants received would impact directly on the viability of small shire councils. This relates to the thesis research question about how cost effective governance and administrative principles have been applied in Hume. Hume City Council is one of Victoria's largest municipalities by population and de-amalgamation to create a 'Shire of Sunbury' would create the smallest metropolitan municipality in Victoria.

The Victorian Auditor General found small shires are constrained in their ability to increase rate revenues because of:

- Relatively low income levels of ratepayers;

- In some cases declining population is shrinking the rate base;

- The current drought conditions; and

- Unbundling of water rights from the value of properties for rating purposes.

Whilst predominately rural shires, there are many small shires in urban settings that the Auditor noted including Ararat Rural City, Bass Coast, and both Benalla and Mansfield were included in this 'small shires' category. Despite both being considered small shires their underlying result were at opposite ends of the spectrum, see Figure 44. For Benalla it was noted that large underlying deficits and high debt levels have been a feature of this council since it was de-amalgamated from Mansfield in 2002-03. One interview participant commented that this report 'vindicated the state government's decision to not de-amalgamate Hume City Council' (Interview, 2008, participant CB).
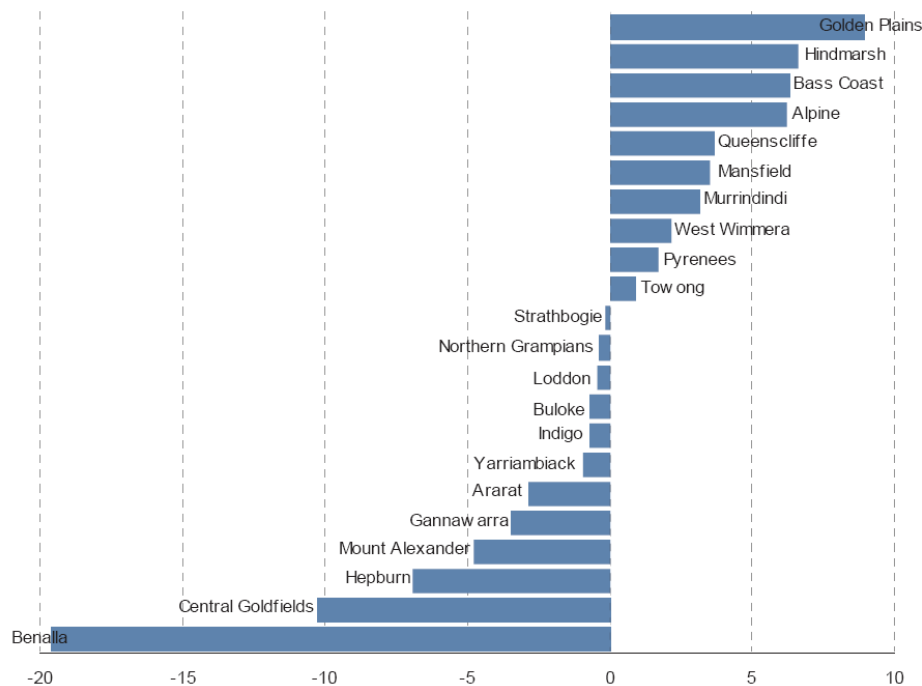
Figure 44: Five year underlying result for small shires
(Victorian Government, 2008, p.53)

The Victorian Auditor General summarised:

> *Whilst the proportions vary significantly between councils, own-sourced revenue (rates and charges, and user fees and charges) are typically higher in metropolitan councils compared to rural councils. Transfers (grants and contributions) are relied on more heavily by rural and regional councils* (Victorian Government, 2008, p.29).

In the context of the case study, a de-amalgamated Hume City Council would expect that own-sourced revenue would feature prominently in budgeting exercises. In addition, the nature of population growth and other favourable factors in both Sunbury and the remainder of Hume, would likely result in higher government grant funding when the Victorian Grants Commission determines funding levels. However these assumptions are based on variables that are often outside of the control of local government and are reactions to societal trends in population and demographic changes, as discussed in this next section of this chapter.

4.3.2 Population and Demographics

Together with the financial data, population and demographic data is of critical importance to the Hume City Council case study as both have been used by proponents and opponents of the local government amalgamation process. This factual secondary source data is useful to triangulate the interpretative narrative that is a result of the interviews and to determine the levels of expenditure and revenue expectations.

Arguments supporting amalgamation has at its core the principle that 'bigger is better'. Amalgamated councils are more efficient, as evidenced in the previous section of this chapter, and it is more effective. While there is evidence that costs do decrease up to a certain population size, after this point these costs generally begin to rise again (Sancton, 2005). Across Australia there are different local government regimes in place. No other jurisdiction has undertaken the dramatic amalgamation program witnessed in Victoria. Whilst much of the overseas research in this area is of limited relevance to the Australian context, since local governments in our federal system have responsibility for a different range of services than those in other countries – for example, police and schools in the United States and public housing in the United Kingdom. Empirical evidence from Australia is extremely limited in terms of volume, and mixed in terms of its results. However the majority of studies conducted to date suggest an 'optimum size' from an economic viewpoint as in 30-80,000 population range (Dollery, 2002); (Marshall, 1998); (Soul, 2000). This section of this chapter sets out to describe the population and demographic data that is available in regard to the Hume City Council case study. This data, combined with previous data on revenue and expenditure, summarises the critical components in the debate over de-amalgamation in local government.

Many of the empirical studies conducted based on the Australian experience have been criticised for employing single- rather than multi-variate analysis with omitted variables (demographic/geographic characteristics) such that the true impact of population size has, in general, been overestimated (Dollery, 2002). It is not surprising then that agencies such as the Victorian Grants Commission introduce variables such as population density, remoteness, ethnicity, indigenous status, age structure, non-resident service provision,

climate and terrain into their analysis of the appropriate size of their equalisation grants, rather than distributing them on a strict per capita basis.

On a per capita basis when comparing population across Australian local government there are wild variations in population ranges. As shown in Table 15, Victoria has the highest concentration of municipalities with 100,000 plus and 40,000 to 99,000 population ranges. Almost thirty percent of municipalities in Victoria have over 100,000 residents, Hume being one of them. This large council size is well above the 30-80,000 population range suggested by researchers on Australian local government (Dollery, 2002); (Marshall, 1998); (Soul, 2000). With almost 28 percent of municipalities above 100,000 residents, Victoria has over double the concentration of large councils than its nearest competitor New South Wales, which has only 13 percent.

With such a concentration of large councils in Victoria, half of all municipalities in Victoria have over 40,000 residents; and only twelve percent are under 9,999. Contrast this with Western Australia where seventy-one percent are under 9,999 and only thirteen percent are above 40,000 residents. New South Wales has an even greater distribution, with thirty-five percent above 40,000 and thirty-four percent below 9,999. Across the states of Australia there is a tendency for smaller councils, of the six hundred and four councils in Australia, forty eight percent have less than 9,999 residents, and only nine percent are over 100,000 (Australian Bureau of Statistics, 2006, February). This highlights the difficulty of comparing local government within Australia on a level footing. As a result, it is useful to focus on the Victorian local government experiences for comparison to the Hume City Council case study.

	<9,999		10,000-29,000		30,000-39,999		40,000-99,000		100,000 +	
	No.	%	No.	%	No.	%	No.	%	No.	%
Victoria	10	12.65	24	30.37	5	6.39	18	22.78	22	27.84
New South Wales	53	34.80	31	20.39	14	9.21	34	22.36	20	13.15
Queensland	75	60.00	29	23.20	1	0.80	10	8.00	10	8.00
South Australia	35	50.70	19	27.53	4	5.70	7	10.14	4	5.70
Western Australia	102	71.80	22	15.49	5	3.50	10	7.04	3	2.10
Northern Territory	4	50.00	3	37.50	0	0.00	1	12.50	0	0.00
Tasmania	14	48.27	10	34.48	1	3.44	4	13.79	0	0.00

Table 15: Local Government populations
(Australian Bureau of Statistics, 2006, February)

There are only five councils in Victoria with a population range of 30,000-40,000, these are Baw Baw, Campaspe, Wodonga, Mitchell and Warrnambool. Macedon Ranges, the council adjacent to Sunbury, has a population of 40,843 (Australian Bureau of Statistics, 2006, February). While there are no municipalities within the Melbourne Statistical Division with populations under 40,000, forty-nine percent of municipalities in Victoria survive with this level of population. There are two 'peri-urban' municipalities with similar characteristics as a Sunbury Shire; Mitchell (32,549) and Macedon Ranges (40,843). Hume, in its current configuration is Victoria's sixth largest municipality in Victoria (152,018) and is twenty-second overall in Australia (Australian Bureau of Statistics, 2006, February). This was surely one of the attributes that were sought by amalgamation proponents.

Since 1996, the Victorian Government population forecasting has been through the publication of *Victoria In Future*. This document is updated regularly and other than the 1996 version, it has proven to be an inaccurate forecast of population growth. In recent years *Victoria In Future* has underestimated population growth as a result of factoring in population changes that did not eventuate. The first *Victoria In Future* in 1996 forecast a population in Hume City Council of 132,939 by 2001, 156,672 by 2011 and 188,665 by 2021 (Department of Infrastructure, 1996, November, p.'Hume'). The 2001 census

revealed Hume's population at 131,182 (Australian Bureau of Statistics, 2006, March). This meant the *Victoria In Future* 1996 projections for 2001 were largely on target.

In 2001, *Victoria In Future* was revised due to the expected effect of low fertility rates (Department of Infrastructure, 2000, p.4). For Hume City Council this meant a reduction in population forecasts to 129,014 by 2001, 149,675 by 2011 and 174,248 by 2021 (Department of Infrastructure, 2000, p.61). This revision was already out of date the day it was released. The 2001 Census had occurred and had already determined Hume City Council's population to have been 131,182 persons. This was 2,168 persons more than the estimate from the *Victoria In Future* 2001 version. The effect of these under-estimates by the Victorian Government represents a distortion of funding and resources which is compounded over time.

In 2004 the Victorian Government recognised the inaccuracy of the 2001 population targets (McNeill, 2007). *Victoria In Future* figures were revised upwards and for Hume City Council this meant a revision in forecasts to 135,986 by 2001, 161,409 by 2011 and 186,418 by 2021 (Department of Sustainability and Environment, 2004, p. 'Hume'). In December 2008 when population forecasts were significantly revised upwards – in conjunction with extensions to the Urban Growth Boundary – the Hume forecasts were also updated. This 2008 revision expects 181,173 residents by 2011 and 225,247 by 2021 (Department of Planning and Community Development 2008). This revision is 21 percent higher than the 2001 projection for 2011 and 29 percent higher than the 2001 projection for 2021. The 2001 data was described as an embarrassment (McNeill 2007) and as a result subsequent *Victoria In Future* projections have been discredited.

The December 2008 revision to *Victoria in Future* may be a case of the 2001 projections in reverse, where 2001 factored in the expected effect of low fertility rates, the 2008 revision may have factored in expected population growth that may not eventuate.

As stated in the Victorian Transport Plan that accompanied the December 2008 population revision:

> *Planning for projected population growth is never a precise science. Previous projections have not necessarily produced correct data, but have been correct about the scale of long term change. When Victorian planners at the Melbourne and Metropolitan Board of Works (MMBW) produced their watershed 1954 plan it was for a city of 2.5 million by 2000. Instead Melbourne reached that population by 1971. The MMBW then revised its population projections for a city of close to 5 million by 2000 which turned out to be 3.4 million. The lesson in city planning is that it is better to think in terms of a city's size rather than a precise population in a particular year* (Department of Transport 2008, p.16).

Extended over a period of time, this population forecasting inaccuracy can have a significant impact on the Victorian Grants Commission formula and subsequent funding and levels of council expenditure. For instance, there are significant differences between the population and growth projections of Hume City Council and the Department of Planning and Community Development. This difference in projected outcomes provides distinct perspectives of how Hume City Council will develop going forward. The methodology used by *Victoria In Future* for calculating and forecasting population growth in Hume has consistently understated the actual population growth in Hume (see Figure 45). Historically, the State Government model has failed to account for the strong rate of growth and provides evidence of a poor track record in estimating future land and population requirements. Figure 45 compares the population projections prepared by Hume City Council, *Victoria In Future*, and the 'actual' population as reviewed annually by the Australian Bureau of Statistics.
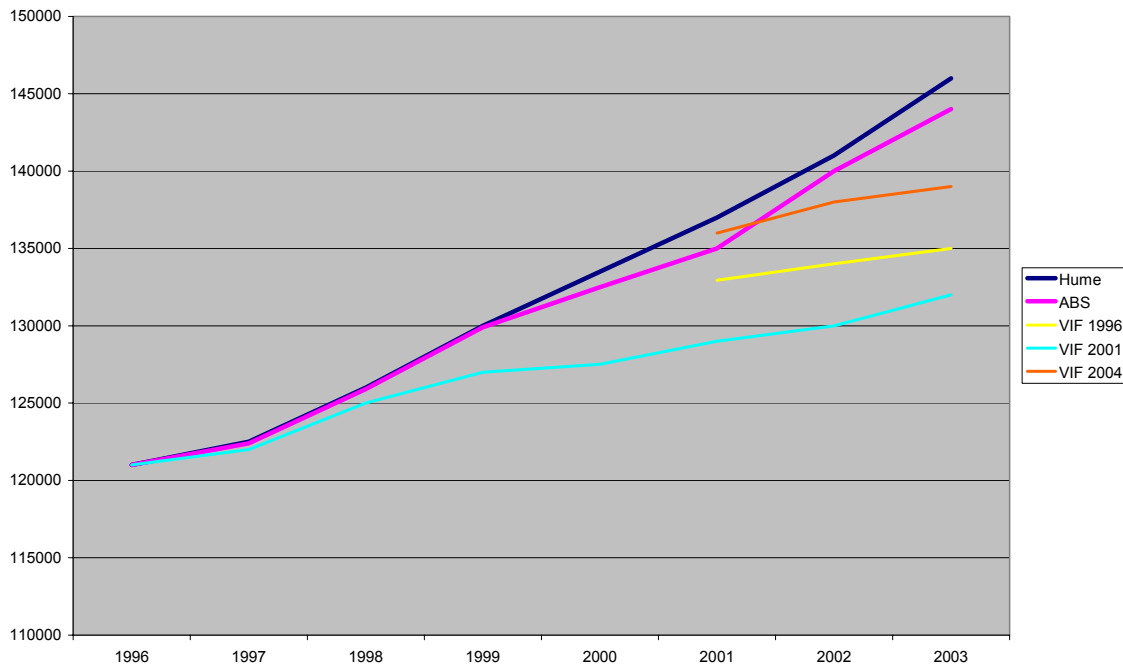
Figure 45: Hume City Council Population Projections

(Hume City Council, Australian Bureau of Statistics and *Victoria In Future* 1996, 2001,

2006)

4.3.2.1 Sunbury population and demographics

On the basis of population projections contained in the *Sunbury Strategic Structure Plan* completed by Hume City Council in September 2005, Sunbury's population is expected to continue to grow until 2014, when it will then decline as new development opportunities run out and the urban growth boundary remains in place, see Figure 46. This sudden decline is most obvious when shown in its historical context, see Figure 47. Sunbury has grown significantly since the 1970s, based on the State Government's *Victoria In Future* projections there will be a period of growth up to 36,000 residents by 2016 followed by a slowing and gradual decline, settling at 35,000 residents in 2031. Hume City Council's scenario expects the population to peak at 39,000 in 2016 and a sharp decline to 26,000 in 2031 (Hume City Council, 2005, September, p.34). This is a substantial variance in population estimates and has been recognised by the State

Government through the announcement in December 2008 for proposed 'investigation areas' to significantly vary the Urban Growth Boundary around Sunbury.
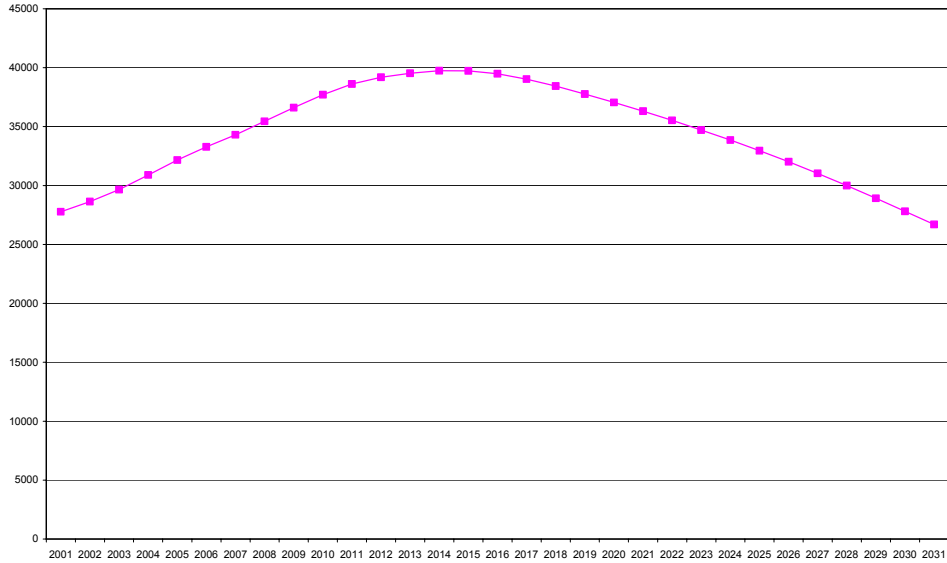
Figure 46: Sunbury's population growth projections
(Hume City Council, 2005, September, p.34)
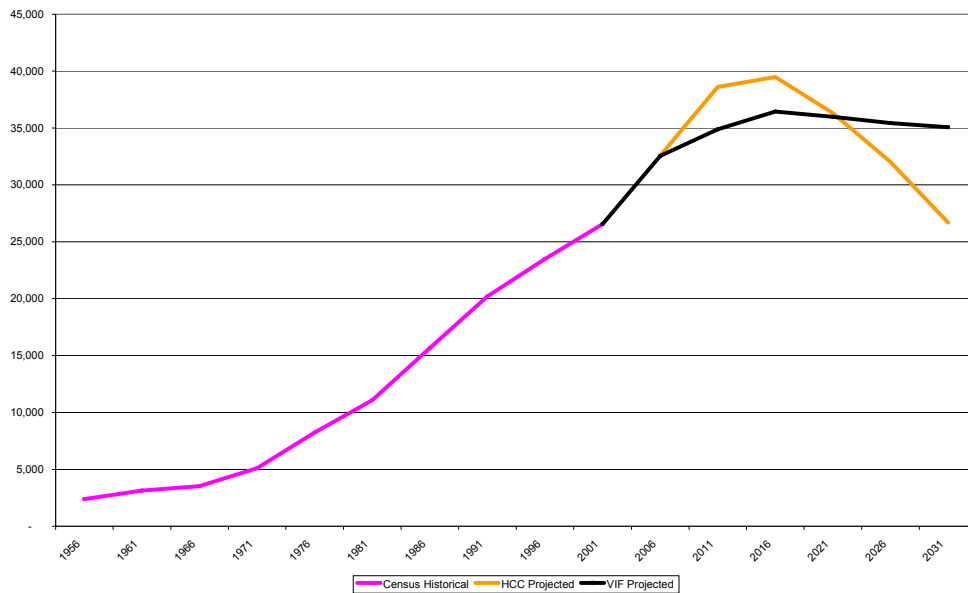
Figure 47: Sunbury's historical population growth and projection scenarios
(Hume City Council, 2005, September, p.34)

Prior to the current planning policy to consolidate urban growth within the Urban Growth Boundary, the Shire of Bulla's *Sunbury Strategy Plan* envisaged Sunbury's ultimate population to peak at between 50,000 and 55,000 residents (Shire of Bulla, 1993, July). This strategy was developed with a more realistic assessment of the satellite city concept which sought up to 100,000 residents in Sunbury. This highlights the repetitive nature of the population argument and the dichotomy between the State Government expectations and the local municipal expectations that continues to this day (Overell, 2006, 6 February). In December 2008, the State Government announced the Sunbury's Urban Growth Boundary was to be assessed for new opportunities outside the designated Urban Growth Boundary established in 2003 under the *Planning and Environment (Metropolitan Green Wedge Protection) Act.* Whilst the announcement requires an act of Parliament to amend the boundary, the State Government's population forecasting was critical to the decision to expand the boundary. This outcome may deliver the future population growth that can ensure future sustainability of local services within the Sunbury region – a consistent concern raised by Hume City Council.

During this time Sunbury's population profile will change substantially with an aging population requiring different forms of housing in the community, shown in Figure 48. Housing options and community service provision will need to be more diverse in the future as the demographic profile changes. Currently, Sunbury has a very strong family (couples with children) and detached housing character. This demographic will remain the largest segment of the population by 2031, but other family types and housing preferences are likely to grow strongly over time. It particular, an older population and smaller dwellings are expected to grow strongly (Hume City Council, 2005, September). This means that a broader mix of housing should be provided (including well located opportunities for medium and high density housing). In addition, community facilities and services will need to respond to a more diverse and older population.
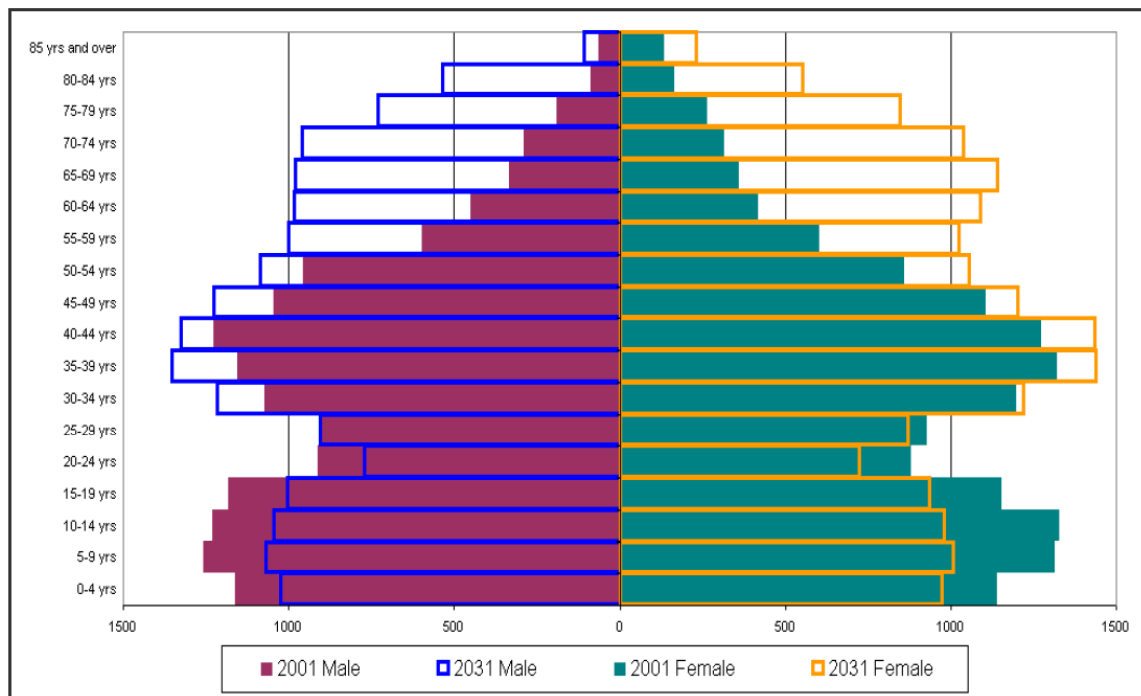
Figure 48: Sunbury's changing age profile
(Hume City Council, 2005, September, p.35)

Buxton notes that peri-urban centre population growth is being driven by in-migration from Melbourne. This growth segment is attracted by landscape, cultural, lifestyle, amenity, affordable housing, changed employment arrangements and improved infrastructure (Buxton, 2007, September, p.2). All these factors are true for Sunbury, however there is significant migration and housing demand generated within Sunbury itself (Hume City Council, 2005, August). In future, changes in the nature of work and the growth of knowledge and information based economies will also influence peri-urban development – such as telecommuting and working from home.

Sunbury displays most of the attributes that define a peri-urban growth centre. It is an area undergoing rapid and constant change, in a permanent state of transition between rural and urban, its housing and population growth is related to the growth of nearby metropolitan/urban centres and the population is highly dependent on the nearby metropolitan/urban centre for employment, cultural, social and recreational needs.

Sunbury is also characterised by low to very low housing densities, with large tracts of land within the Urban Growth Boundary with a dwelling density that is consistent with Rural Living Zones. It also has an increasingly fragmented landscape that is poorly managed and unplanned. There is also significant conflict over values and activities, for example the use of the Evans Street native grassland reserve and its potential conversion to car parking or commercial uses. These conflicts are likely to continue in future.

The *Sunbury Strategic Framework Plan* contemplates the 'status quo' scenario of no extensions to the Urban Growth Boundary. If this scenario is the option that is adopted by State Government – and all signs preceding the December 2008 announcement suggested this would be the case (Overell, 2006, 6 February) – then the provision of regional services is far less likely. With the option of further outward urban expansion as identified in the *Melbourne @ 5 million* policy statement this will facilitate a sustainable population for Sunbury. A regional imbalance will continue to exist as Sunbury services the regional demands, however, its base population will continue to grow to support the regional services that need to be sustained, such as hospitals, retailing and educational facilities. Other townships in the region may grow to reduce some of the pressure on Sunbury (particularly Gisborne), but not to the extent that they would challenge Sunbury's regional status, or justify the provision of regional services in their own right. Despite the revisions to the Urban Growth Boundary, residents from Sunbury and the region will continue to rely heavily on other parts of Melbourne for commercial and community services (such as Watergardens and Highpoint). The *Sunbury Strategic Framework Plan* notes that without further population growth, it is likely that improvements to road networks will be increasingly difficult for Council to fund as any expansion of services or infrastructure will essentially be for residents of other municipalities.

The *Sunbury Strategic Framework Plan* notes the 'status quo' option cannot be considered as a 'do nothing' option. The negative impacts of doing nothing could be significant. To mitigate the potential effect of the demographic changes council will be required to encourage different housing choices and higher densities. This is one mechanism raised in the interviews so as to retain population growth in the area. In light

of the December 2008 announcement to extend the Urban Growth Boundary this pressure on consolidation may have been relieved.

Not only is Sunbury geographically isolated from Melbourne, but its demographic characteristics demonstrate a significant differential that makes Sunbury unique. It is generally a homogeneous population. Characterised by lower levels of ethnic diversity, lower unemployment, higher incomes and higher education levels, Sunbury displays significant differences to the averages for the Melbourne Statistical Division and also other components of Hume City. For example, only 7.2 percent of households in Sunbury speak a language other than English, compared to the metropolitan average of 26.3 percent, or Craigieburn with 38.3 percent or at the other extreme, Broadmeadows with 49.6 percent - the highest non-English speaking statistical area in Melbourne (Australian Bureau of Statistics, 2006).

Sunbury also has one of the highest rates of Australian born residents with 80 percent of all residents born in Australia, compared to 64 percent for the metropolitan average and 65 percent in Craigieburn, again with Broadmeadows at the other end of the spectrum with only 53 percent Australian born (Australian Bureau of Statistics, 2006). Figure 49 shows that since the 1961 Census, Sunbury has become even less diverse with more Australian born residents, as a percentage, than any other Statistical Local Area in metropolitan Melbourne (Australian Bureau of Statistics, 2006).
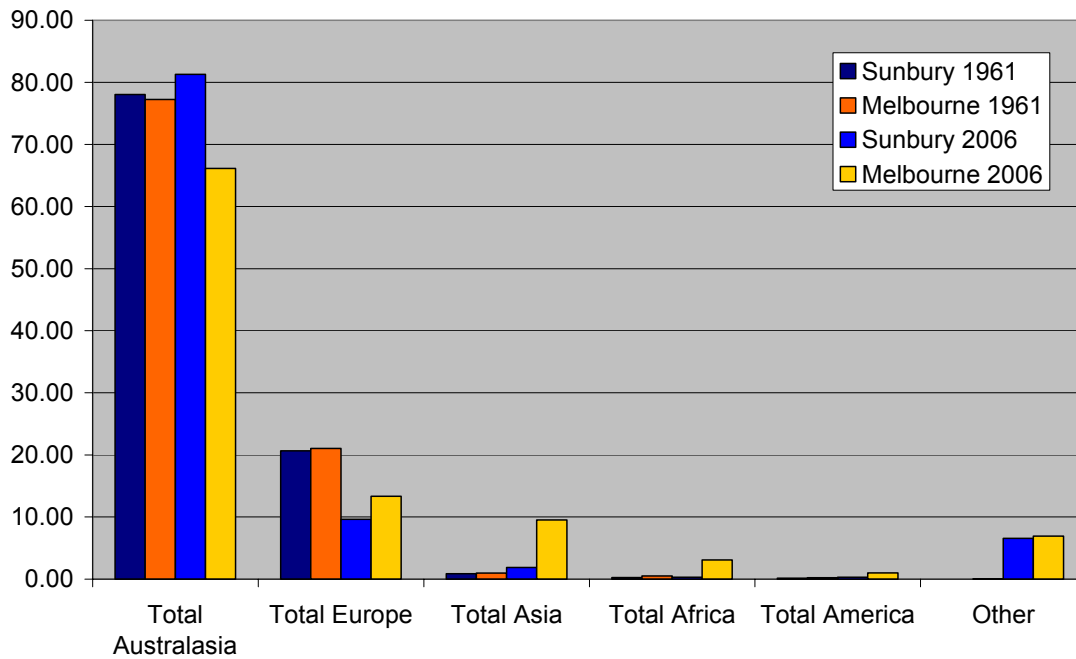
Figure 49: Birthplace comparison Sunbury and Melbourne 1961 and 2006 (percent)
(Australian Bureau of Statistics, 1961, 2006)

4.3.3 Conclusion

Through the use of different data sources to triangulate the arguments involved in this case study it is clear that there have been benefits as a direct result of local government amalgamation. These benefits in regard to Hume City Council include economies of scale, geographic and demographic patterns such as population growth and new subdivision activity uniquely related to an outer-metropolitan council and a healthy and growing rate and revenue base. However expenditure patterns have not kept pace with revenue, this and a range of other issues surrounding amalgamation has fuelled resentment and mistrust, as detailed in the next section of this chapter through the interviews.

With some of the largest municipalities in Australia, Victorian local government has demonstrated significant economies of scale as a direct result of amalgamation. It is also clear that small shires, predominately in rural areas with less than 30,000 residents,

struggle for financial independence and ongoing sustainability. These shires also rely more heavily on government grants than larger councils. Whilst a de-amalgamated Hume City Council would create the smallest metropolitan shire in Melbourne, it would have access to own-sourced revenue not typically found in rural small shires. In addition, with strong population growth, government grant funding would be consistently above the state averages.

Following the introduction of *Melbourne 2030*, growth and development in peri-urban regions has increased dramatically. This growth has been supported by Federal and State first home buyer grants, low interest rates, a major escalation in metropolitan land prices, high levels of confidence in the housing market, and sustained population increase of Victoria due to continuing overseas immigration and net gains from interstate migration.

Demographic, financial and infrastructure driven changes, together with the various social and lifestyle factors have become more pronounced. They have contributed to population and residential growth in Sunbury. Factors such as an ageing population, smaller household sizes, increased capacity to work from home, greater emphasis on lifestyle values, greater general affluence, comparatively low transport costs and concerns about some aspects of metropolitan living, have also contributed to growth and are expected to continue to do so.

With Sunbury experiencing rapid and constant change it will remain in a permanent state of transition between rural and urban. Sunbury is clearly dependent on the metropolitan area for sustained population growth and employment, however it is uniquely different to other areas within Hume City Council. The ongoing management of these differences will be a constant challenge facing Hume City Council administrators.

4.4 Interview Methodology

This research used a qualitative research methodology, and nine participants took part in face-to-face interviews. There was one instance where one person selected for interview did not want to participate and an interview was not conducted. Table 10 summarises the participants' characteristics. A consistent interview schedule was developed around the key concepts identified in the literature review, these themes included community identity, trust in institutions, local government reforms, managerialism, networks, governance and consultation. Whilst Yin acknowledges interviews are the most important sources of case study information, there is the concern that the interviewer may be biased and be an active participant during interviews. To overcome this concern the question schedule guided discussion in a manner that made the most of the allocated time, usually less than an hour for each participant, and kept a consistent approach to interviews to reduce the influence of interview bias.

The methodology for interviews was a combination of systematic, consistent interview process and some specific quantitative data regarding demographics and biographical information. The questions were primarily open-ended to seek the participant's opinion on events and facts, this was useful to corroborate previously gathered data from secondary sources or prior interviews. Questions had an emphasis on the Hume City Council case study, described in Chapter 3, and all interviews were recorded with an audio recording device.

This thesis required Victoria University's Faculty of Business and Law Human Research Ethics Committee approval. This application for approval to undertake the interviews for this research was granted on 10 December 2007. The first round of interviews commenced on 11 March 2008 and was completed on 5 June 2008.

Interview participants were selected based on their expressed interest in the research topic as identified from public domain sources. This expressed interest was identified during the course of the literature review, newspaper articles, journal articles, academic

papers and commentators or contributors in the field of local governance. In addition, further participants in the study were identified using personal network sampling technique to engage a maximum variation of information-rich sources (Patton 1987). This 'snowballing technique' created a diverse cross section of participants that included community advocates from special interest groups, administrative and departmental representatives, Councilors and State Government politicians.

Contact details of interview participants were obtained from public domain sources such as White Pages and/or from the relevant organisation's webpage or search engine. Prior to each interview, participants were provided with an information form that was approved by Victoria University's Ethics Committee. This information form described the project, the requirements for participating, how the information would be used, any risks of participating, contact details of researchers and methodology of how the project would be conducted.

Prior to each interview a consent form was executed and witnessed by a person other than the researcher. Interviews were recorded electronically and transcripts were retained by the researcher and only available for the purposes of this research. Consent forms, transcripts and audio recordings were securely stored. The only people with access to this data were the Supervisor, Michael Muetzelfeldt, Co-Supervisor, Richard Gough and the Researcher, Lawrence Seyers.

Comments from participants involved in the research have not been disclosed in this thesis and pseudonyms have been used when comments are attributed. The pseudonyms developed to attribute quotes followed an algorithm of A, B and C, with nine combinations of AA, AB, AC, BA, BB, BC, CA, CB and CC. These labels have been randomly used to identify each participant. The only people with access to the identifying data are the Supervisor, Michael Muetzelfeldt, Co-Supervisor, Richard Gough and the Researcher, Lawrence Seyers. Although comments have not been attributed, each participant in the research was contacted to obtain their consent for the publication of

their names and a short description for the purposes of a table of participant characteristics – see Table 15.

Participant	Background
Ms Joanne Duncan	Member for Gisborne (1999-2002) Member for Macedon (2002-current)
Mr Domenic Isola	Director of Governance at Hume City Council (1996-2006) Chief Executive Officer at Hume City Council (2007-current)
Mr Roger Male	Panel Member of possible restructuring of the Hume Municipality (2000) and possible restructuring of the Delatite Shire (2002)
Mr Jack Medcraft	Former Jacksons Creek Ward Councilor, Independent Candidate for Macedon at 2006 State Election
Mr Bernie O'Farrell	President, Sunbury Residents Association Former Shire of Bulla Councilor
Cr Jack Ogilvie	Jacksons Creek Ward Councilor (1990-current) Mayor Hume City Council (2008-current)
Cr Ann Potter	Jacksons Ward Councilor (2000-2003) Mayor Hume City Council (2002-2003) Jacksons Creek Ward Councillor (2005-current)
Mr Julian Stock	Panel Member of possible restructuring of the Hume Municipality (2000) and possible restructuring of the Delatite Shire (2002)
Mr John Watson	First Chief Executive Officer at Hume City Council (1995-1998) Director Governance and Legislation at Local Government Victoria (1999-2007) Acting Executive Director at Local Government Victoria (2007-current)

Table 15: Summary of participant characteristics

The participants in this research are representative of activists in the de-amalgamation debate. They ranged from public servants and politicians whose profession was to implement the amalgamation agenda to public servants and politicians whose profession has been to monitor the impact of the amalgamation agenda, from Councillors who were dismissed during amalgamations to Councillors in the new amalgamated Council, and resident lobby groups. These participants represent different perspectives and form different conclusions about local government amalgamation. They are not representative of the community at large, far from it, they are representative of their individual niche in society and their perceptions and understandings are formed by their different perspectives and experiences in the local government amalgamation process.

This interpretation by those in the process is the basis of this Chapter. The perceptions and understandings of the process that surrounded amalgamation and the subsequent debate over de-amalgamation highlight levels of mistrust in the process and low levels of trust in authorities such as Council. This was referred to in the literature review and Stanyer (2004) confirmed an already growing public distrust of government communications. Whilst Stanyer agues that spin doctors and inherently deceitful and should carry public warnings similar to tobacco and other harmful products, their creation through the political process is only one symptom of what Laird described as part of an erosion of trust through a decreased willingness to defer decisions to authority as part of what he describes as a 'decline of deference' (1989, p. 544). Across the board, Laird argues, people have lost confidence in 'every profession and institution associated with risk management' (1989, p. 547). He refers to the rise of independents in the political sphere and a decline in persons identifying with the two party system as evidence of his theory. This was witnessed in the Hume City Council case study where independents achieved far higher first preference votes in State Government elections in Sunbury than in other parts of the electorate; this was discussed earlier in Section 3.4. Laird's model of a stratified public creates a community that is increasingly feeling alienated from political institutions, both in terms of their own sense of personal efficacy and in their trust in leaders (1989, p. 548). These characteristics were evidenced in some of the participants in this research, particularly those who strongly believed in local government de-amalgamation.

4.5 Perceptions and Understandings

Sections 4.1 to 4.3 of this chapter explored secondary sources; this section describes the perceptions and understandings which consist of interviews with community stakeholders. The previous parts of this chapter have explored aspects around the research questions of the effectiveness of local government amalgamations in delivering benefits in the outer suburban context of the Hume City Council case. In addition it has explored the cost effective governance and administrative principles that have applied to the Hume City Council case study area since amalgamations. The data collation cannot

fully answer the theoretical concepts to determine whether amalgamation has created an environment in which key concepts of trust, identity, governance and government have prospered. This section of this chapter further explores this through the perceptions and understandings of stakeholders.

Most of the interviews provided an assessment of the Panel report that was critical to any de-amalgamation push for the Hume City Council case study. This data provides an interpretative version of facts and events surrounding the case study, it is considered that the most appropriate method of extrapolating this data was through interviews with participants.

The October 2000 Panel report into potential de-amalgamation of Hume City Council generated significant interest from interview participants. One person remarked that 'the government got the report that it wanted, if Sunbury had been the political hotbed that Mansfield was, the result would have been different' (Interview, 2008, participant CC). This is an interpretation of the political dynamics that surrounds this de-amalgamation topic. However as discussed in the previous sections of this thesis, the political element in Mansfield was far better organised, and perhaps had witnessed and learned from the Hume example, and decided that a more interventionist approach was required. This approach witnessed public rallies in which a large proportion of the residents attended community hall meetings. One interview participant commented:

> *Mansfield had eighty percent of their residents attend community meetings regarding de-amalgamation, this sustained interest was simply not as visible in Sunbury* (Interview, 2008, participant AB).

In the Hume Panel experience one interview participant noted:

> *Community meetings were poorly attended, there was an element that this was a bit ho-hum, the only group who passionately pursued de-amalgamation were the Sunbury Residents Association and they were carrying baggage in the form of former Shire of Bulla Councillors* (Interview, 2008, participant BB).

While both Mansfield and Sunbury campaigners carried political baggage it was clear that the two cases were at either end of the spectrum when it came to building a case to government for de-amalgamation.

Another interview participant commented that the Panel process was a 'charade' and the Council officers who assisted in the collation of data for the Panel were 'protecting their interests and had a particular barrow to push' (Interview, 2008, participant AA). This suspicion and lack of trust in the process and lack of trust in the resulting amalgamated Council was reiterated when one interview participant commented that the Panel was:

> *Simply going through the motions of consultation and the outcome was clear* (Interview, 2008, participant AC).

A pre-determined view was raised when another interview participant commented that:

> *If the government wanted to make a Shire of Sunbury work it could, but the Panel conclusion was something the government could not ignore* (Interview, 2008, participant BA).

He went further and said:

> *From the Panel's discussions with the community, Council and Industry groups such as the Municipal Association of Victoria the question was never asked of what would be required to make Sunbury Shire work?* (Interview, 2008, participant BA).

A counter view was never presented during the interviews, however it is clear that the Terms of Reference, Figure 8, did not direct the Panel to investigate how to make a Shire of Sunbury work, it was simply to report on the feasibility and viability of Hume City Council becoming two separate municipalities.

The comments from interviewees about their perception of bias or a predetermined view highlight an environment in which the key concept of trust is lacking and aspects of local identity are strong. This combination, also witnessed in Delatite Shire, raises the spectre of a governance process that lacks legitimacy within the community and to which such a wicked problem is poorly managed from start to finish. Concern was also high about perceived low levels of expenditure in the Sunbury area by Hume City Council which contributed to a reduction in the trust of community members towards local government.

Added to this lack of faith in the process and of council, during the Panel process the Sunbury Residents Association was labelled as a 'noisy minority' by amalgamation supporters. One interview participant commented that 'when the Leader Newspaper and Hume City Council poll was conducted these people were flabbergasted at the result that 79 percent were in support of de-amalgamation – and they would pay the rate increase to support it' (Interview, 2008, participant CC). Another commented that:

> *New people have moved to Sunbury and the demographics and character of the town have changed, but the old Shire of Bulla people continue to talk about 'the good old days' when we were the Shire of Bulla. They fail to articulate how it would be different, they talk about 'being in control of their own destiny' – but they are fuzzy about what this means – I think it means being run by a small group of men, a return to the old boys club of the Shire of Bulla* (Interview, 2008, participant AB).

Another interview participant commented that the de-amalgamation push was being driven by 'long standing Shire of Bulla campaigners who have a perceived loss of power as a result of amalgamation. These individuals are pushing an agenda and are unwilling to accept that decisions are now made by Council on merit' (Interview, 2008, participant BC). This is a reference to allegations made of the former Shire of Bulla in regard to some of its decision making. One participant commented:

> *Interestingly the Shire of Bulla was not the local government darling it is made out to be, many long standing residents are scathing of the operation of the Shire of Bulla and its lack of professionalism* (Interview, 2008, participant AB).

Another commented 'some Sunbury residents were intimidated by former Shire of Bulla Councillors and there was a sense of fear in making submissions publicly, this included physical threats against individual submitters' (Interview, 2008, participant BB). It is clear from these interviews that there is an unwillingness to accept the changes made during amalgamation, particularly by the Sunbury Residents Association, however it cannot simply be attributed to an 'old boys club', it relates directly to the aspects of identity and community of interest that is discussed in the literature review chapter of this thesis. This identity has its roots in a period pre 1960s planning policies when Sunbury

was a quaint country town of around 3,000 residents. Since the 1960s, as explained in the previous chapter, planning decisions were made that could have seen peri-urban development of upwards of 100,000 residents.

The 2000 Panel report into the de-amalgamation of Hume City Council forecast an average rate increase of $363 per property (all rateable property; residential, commercial, industrial and farm) for Shire of Sunbury residents should de-amalgamation occur. One interview participant commented that 'the government keeps referring to the increase in rates by 63 percent. It is out of date, inaccurate and was taken when the Hume City Council rate base was at a very low base of $32 million' (Interview, 2008, participant AA). Hume City Council's rate base is now $70 million (Hume City Council, 2007, p.149). One interview participant questioned 'how can the Panel justify the use of demonstrated unreliable budget figures – coming off successive budget deficits – and a rate base just prior to a revaluation?' (Interview, 2008, participant AC). Another interview participant commented that:

> *Budget errors are common in local government, particularly in an outer suburb growth context where is its often difficult to accurately predict the revenue base. This tends to lend itself towards conservative rather than optimistic budgets, this would have been particularly important given the 2000-01 budget was coming off successive deficits* (Interview, 2008, participant BA).

The inaccuracy of the Panel's data and the reliance on its findings was described by one interview participant as 'a state government in denial about the facts and figures and shows the flaws of relying on an outdated report' (Interview, 2008, participant AA). At the other end of the spectrum, one interview participant commented that 'the Panel had available the best data at the time [budget data] and a conclusion was reached and a decision made, whilst circumstances have changed the numbers would still hold true' (Interview, 2008, participant CB). It is useful to reflect on this comment and in the period from the Panel report's release in 2001-02 and 2006-07, Hume City Council's average rates and charges per assessment (all rateable properties) had increased in excess of that predicted by the Panel to establish a Shire of Sunbury, shown in Figure 50. The average

rates and charges per assessment increased from $727 in 2001-02 (Hume City Council, 2002, p.116) to $1,120 in 2006-07 (Hume City Council, 2007, p.128) – an increase of $393 or $30 more than the Panel's estimate (Hume City Council 2008, p.245). Since then it has increased to $1,181 in 2007-08. This is without the extra costs that were anticipated as a direct result of de-amalgamation.
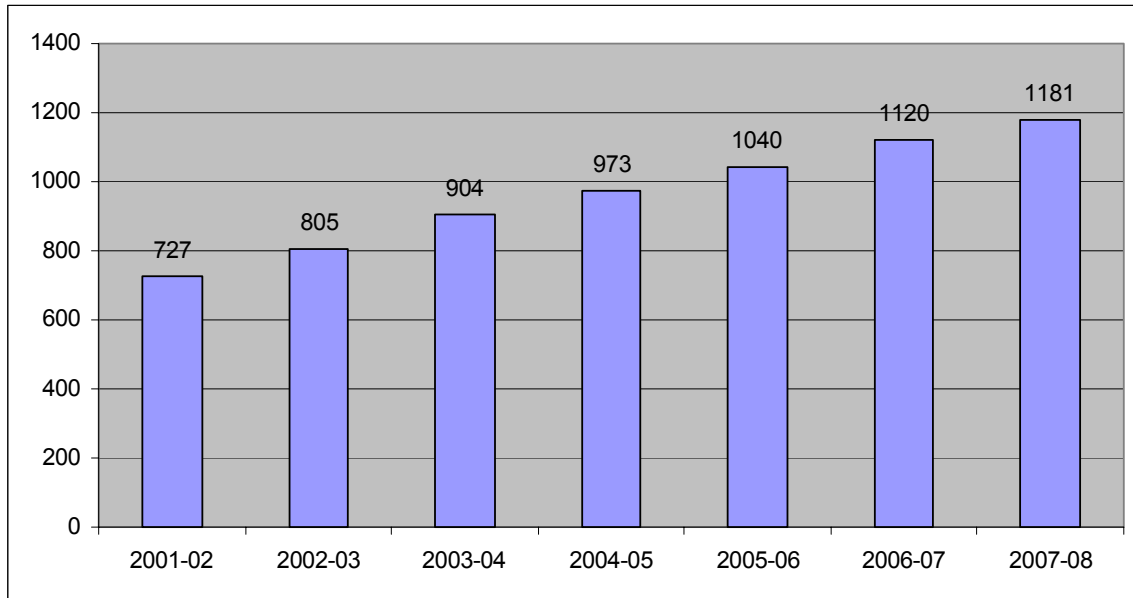
Figure 50: Hume City Council Average Rates and Charges per Assessment
(Hume City Council, Annual Reports 1995-2008)
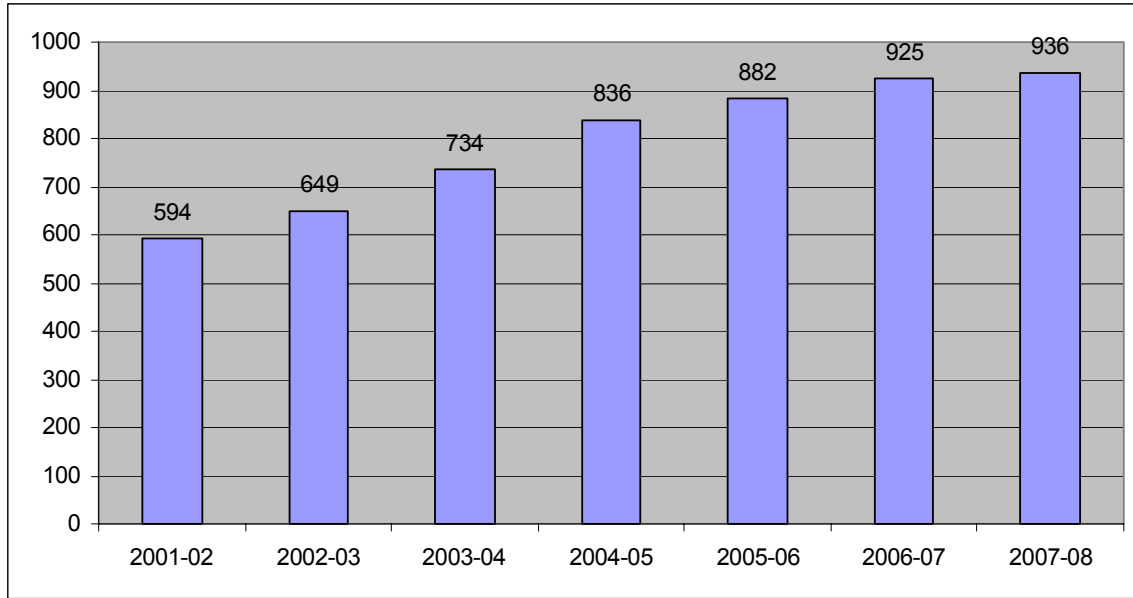
Figure 51: Hume City Council Average Rates and Charges per Residential Assessment
(Hume City Council, Annual Reports 1995-2008)

One interview participant commented that the budget data used by the Panel was 'grossly inaccurate and only a snapshot in time' (Interview, 2008, participant CC). Indeed 'Hume had just been through the most turbulent period of its short history and was experiencing significant deficits for several years, these are no longer an issue and Hume is posting record surpluses on the back of an expanding revenue base' (Interview, 2008, participant AA).

An analysis of the Panel's assumptions extrapolated to the 2006-07 Hume City Council actual finance statements reveal that a Sunbury Shire would be sustainable with a surplus of at least $5.2 million, without any change in the rate base simply because the figures used in 2000-01 budget were inaccurate and there has been an overall increase in rates as a result of normal operating conditions.

The 2000 Panel based its financial assessment on the 2000/01 budget which expected Hume City Council's total revenue at $69 million (Male, 2000, October, p.34). The actual result for 2000/01 was over fifty percent higher with revenue of $104 million

(Hume City Council, 2001). Since then, total revenue has increased to $141 million, and expenditure is $108 million (Hume City Council, 2007). In 2000 the Panel, in conjunction with Hume City Council, developed a ratio for the distribution of revenues and expenses for de-amalgamation. The Panel determined that the assumption for distributing revenues and expenditures on the basis of 22 percent to 'Shire of Sunbury' 78 percent to the 'rest of Hume' (Male, 2000, October, p. Attachment 3). Using this ratio on the 2006-07 actual financial statement for Hume City Council, a Sunbury Shire would have $31 million in revenue – up from $13 million in 2000-01, expenses of $24 million – up from $15 million in 2000-01, a capital works program of $2 million – up from the $1.6 million estimate used in 2000-01, leaving a surplus of $5.2 million – up from a deficit predicted in 2000-01 of $3.7 million.

One interview participant commented that 'there has been no further analysis done by the state government to revisit the Panel report findings. I am certain that whilst the numbers may be larger, the result [a deficit budget for Shire of Sunbury] would be the same' (Interview, 2008, participant CB). Despite the revised data being available only months after the Panel report was released, the state government has not formally been asked to undertake a review of the figures.

The assumptions used by the Panel have been criticised, one interview participant commented that 'the figures are flawed and the assumptions unrealistic' and that the costs involved in the de-amalgamation were overstated:

> *Sunbury Shire would not need an administrative hierarchy the same as Hume, as a one-town Shire it would require a different scale of administration with increased resource sharing from adjacent municipalities. No one would expect that Sunbury Shire would resource their own waste management. Road maintenance can largely be outsourced anyway. The Panel did not look at councils with these characteristics. Indeed it did not undertake any such comparisons* (Interview, 2008, participant AA).

The Panel's scope for the 'Shire of Sunbury' did not investigate alternative administrative boundaries, only a single option that was suggested by the Sunbury

Residents Association, within the existing Hume City Council boundaries, created simply by a new boundary along Deep Creek, excluding Bulla and Melbourne Airport. Whilst this was the boundary suggested by the Local Government Board's Interim Report (Local Government Board, 1994, October), other boundaries may have been investigated to make the proposal work. One interview participant commented that 'the Panel resolved that the matter was outside of its Terms of Reference' (Interview, 2008, participant CB), alternative boundaries could have included:

- Bulla, a small town which shall always remain an isolated pocket of urban settlement away from the Hume growth corridor due to the airport flight path;

- Melbourne Airport, a significant revenue source for Hume City Council;

- Diggers Rest, an urban area isolated from Shire of Melton but closely connected from geographic, economic and transport linkages to Sunbury; and

- Gisborne, an increasingly peri-urban area north-west of Sunbury again with strong geographic, economic and transport linkages to Sunbury.

One interview participant commented that there was a reluctance to include Diggers Rest and Gisborne as it would have meant expanding the terms of the study beyond the boundaries of Hume City Council, not only creating an administrative burden for Local Government Victoria, but creating 'unnecessary uncertainty in the community' (Interview, 2008, participant AA). Another participant suggested that 'Gisborne and Macedon Ranges did not want to include Sunbury as Sunbury would dominate such a council and detract from the distinctly different feel of the Macedon Ranges Shire' (Interview, 2008, participant CB). One interview participant commented that 'the idea of a merger of Sunbury Shire and Macedon Ranges Shire was informally put to Macedon Ranges Councillors and at the time they did not want Sunbury in Macedon Ranges as it would dilute the potential Labor influence in the Labor dominated council' (Interview, 2008, participant AB). All these factors are practical realities of local government, however they should have been discarded in the investigations.

It was also noted that the Shire of Bulla had lobbied for the Airport to be included into the 'Shire of Woodlands'. One aspect raised in the interviews was the role of BHP, owner

of a large convention centre called 'Aitken Hill' located on Mickleham Road Craigieburn. It was noted that during amalgamations 'BHP strongly lobbied the State Government for a single municipality that included the Airport and the Hume corridor' (Interview, 2008, participant AA). Indeed the economic growth that was expected as a result of constructing the Metropolitan Ring Road – now the Western Ring Road – in the 1990s was expected to create a strong industrial rate base for Hume City Council going forward, whilst Sunbury has very minimal areas of 'employment' land such as industrial and commercial zoned land.

One interview participant commented that since the Panel report was completed significant changes had been made to the Sunbury rate base, including a 'doubling of commercial floorspace in the town centre with significant developments such as Big W, Safeway, Target and the Macedon Street office precinct' (Interview, 2008, participant AA). In addition, 'a Sunbury Shire with a population in excess of 30,000 residents would be larger than half of all Victoria municipalities' (Interview, 2008, participant AA). This is a constant theme in the de-amalgamation argument. One interview participant commented that 'whilst the financial figures have changed the reality has not' (Interview, 2008, participant AB). This reflects a political reality that government will not entertain any further discussion on this matter.

The Victorian Government has made little attempt to conduct further substantive evaluations since the Panel report. The absence of such data, consequently, has served to perpetuate the widely held conviction that amalgamations lead to reduced cost, particularly in regard to the two case studies. In light of evidence from the Auditor General it is unlikely this matter will be further investigated in the short to medium term.

4.6 Conclusion

This chapter has explored the secondary source and interpretative data available. This has been used to triangulate the arguments involved in the Hume City Council case study. From this data it is clear there have been benefits created as a result of local government amalgamation; this has been demonstrated through the secondary source data, particularly in relation to economies of scale. However this has come at a cost; the disharmonious relationship created as a result of local government amalgamations has lead to the wicked problem that has been experienced to date and is likely to require ongoing management by Hume City Council. The following chapter provides an analysis of the management of wicked problems, characterised by high levels of risk and/or political uncertainty, social complexity, scope and scale of the issues involved, and absence of a clear public consensus on values, the nature of the problem, and/or acceptable solutions.

The final chapter will combine secondary source data with data collected from interviews and the literature review to establish an argument and analytically argue a point of view. It will also present the research questions and draw a conclusion by providing answers to the research questions.

Some of the benefits that have been identified in regard to the amalgamation of Hume City Council include economies of scale, geographic and demographic patterns such as population growth and new subdivision activity uniquely related to an outer-metropolitan council and a healthy and growing rate and revenue base. The resulting stronger expenditure patterns have not materialised and this may take some time to realise. As a result of capital expenditure not keeping pace with revenue growth, resentment and mistrust has been a concern expressed by de-amalgamation supporters. This has been strengthened by an erosion of trust through a decreased willingness to defer decisions to authority as part of what Laird describes as a 'decline of deference' (1989, p. 544). Laird's model of a stratified public creates a community that is increasingly feeling alienated from political institutions, both in terms of their own sense of personal efficacy and in their trust in leaders (1989, p. 548).

This chapter has identified that small shires, predominately in rural areas with less than 30,000 residents, struggle for financial independence and ongoing sustainability and rely more heavily on government grants than larger councils. Whilst a de-amalgamated Hume City Council would create the smallest metropolitan shire in Melbourne, it would have access to own-sourced revenue not typically found in rural small shires. In addition, with strong population growth, government grant funding would be consistently above the state averages. The interpretative data highlighted the concerns of community groups about the Panel report completed by the State Government. This report was complicated by perceptions of bias and a predetermined outcome and did not investigate what would be required to support a de-amalgamated Hume City Council, rather a narrow focus on financial viability and feasibility as defined in the Terms of Reference.

These concerns point directly to the failure of a community consultative process identified by Arnstein in the literature review. Whilst this chapter has included secondary sources such as government documents and population projections and an interpretative narrative that consists of interviews with community stakeholders, it has not been consolidated with the literature review. To fill the gap in knowledge on local government de-amalgamation and the management of wicked problems, the next chapter consolidates the data collected in this chapter with the literature review to analytically argue a different point of view – the essence of a thesis. This thesis presents a hypothesis that local government amalgamations have delivered benefits in an outer metropolitan context of the Hume City Council case study, however this has been in the context of an environment in which concepts of trust, identity, governance and government have interacted with each other to create a wicked problem that requires ongoing management. This management needs to ensure the wickedness of these problems is managed, or tamed, to provide better solutions in the future.

Chapter 5: Analysis and Conclusion

5.1 Introduction

Structural reform to local government began in the 1970s and 1980s in the United Kingdom, United States and New Zealand. In Victoria, it took several decades of investigations by successive Victorian governments (Victorian Government, 1994b) before the Kennett Government acted unilaterally in 1993 to dramatically change local government boundaries and introduce reforms to administration in an attempt to achieve increased efficiency, effectiveness and accountability. These three concepts were the guiding principals of the Kennett Government's local government reform agenda. The amalgamation reforms were introduced in parallel with the dismissal of elected Councilors, a process that significantly undermined the four concepts discussed in this thesis: governance, trust, government and identity. The consolidation of Victoria's 210 councils into 78 was completed in 1995 – less than two years after the election of the Kennett Government. It took a further two years before all councils had democratically elected Councilors. This process had far reaching implications for local governance and introduced structural reforms that transformed local government administration in Victoria. The literature review and the perceptions and understandings by stakeholders suggest the stated objectives of 'increased efficiency, effectiveness and accountability' have been achieved. Today, local government operates more efficiently, has greater capability, delivers more services and is more accountable to its citizens – particularly in regard to service delivery. Further amendments were made in the post Kennett era – particularly in regard to Compulsory Competitive Tendering – and some Kennett reforms were abolished – such as the cap on residential rate increases.

After initial instability, local government revenues have stabilised and grown substantially, expenditure has increased and staffing levels have recovered from the difficult efficiency and productivity savings during amalgamation. This may be due to the reforms themselves, or to the economic boom of that period, or – more likely – to the ways in which the reforms enabled local government to participate in and benefit from the booming economy. The Victorian Economic Development Committee found a useful

analysis to determine the success or otherwise of amalgamation is to compare the level of capital expenditure undertaken by councils under the former structure compared with that under the current structure (Economic Development Committee 2002, p. 105). Undertaking this analysis the Committee found it was difficult to draw any firm conclusions about the impact of local government amalgamations on the level of capital expenditure in metropolitan areas, however, the overall trend was for metropolitan councils to have experienced increasing levels of capital expenditure (Economic Development Committee 2002, p. 107). The Economic Development Committee also found that amalgamations had an overall positive impact on the ability of councils to improve the capacity and flexibility of service delivery and to undertake major projects that were not necessarily viable prior to municipal reform. Of relevance to the outer suburban case study investigated by this thesis, Hume City Council, Mr Rob Spence, Chief Executive Officer, Municipal Association of Victoria suggested:

> *The group that is known as the 'interface group' – the group that bounds Melbourne – the western group of councils and the regional cities grouping are starting to become strong lobbies on their own* (Economic Development Committee 2002, p. 118).

The evidence and perceptions and understandings suggests that benefits have been created as a result of local government amalgamation; however this has come at a cost. A disharmonious relationship was created as a result of local government amalgamations for the Hume City Council case, detailed in Chapter 3. The investigation of the Hume City Council case study through this thesis has found local government reform created a wicked problem that will require ongoing management by Hume City Council and the State Government. The sources for the discontent that has been experienced in Hume City Council are equally evident in other municipalities including Delatite – the only other case in Victoria that has been reviewed since the local government reforms introduced during the 1990s. The sources of discontent that has created this wicked problem are based on the key concepts that were explored through the literature review chapter.

By attempting to fill the gap in the knowledge about what is known about wicked problems in the local government sphere post-amalgamation, this chapter seeks to provide answers to the research questions posed at the introduction to this thesis. These research questions were:

1. How effective has the rationale behind local government amalgamations been in delivering benefits in the outer suburban context of the case study;

2. How could cost effective governance and administrative principles be applied to the case study; and specifically

3. To what extent has this amalgamation created an environment in which key concepts of trust, identity, governance and government have prospered?

The research conducted in this thesis has suggested there are three types of issues involved in the debate over de-amalgamation:

- ***Planning issues*** such as communities of interest, transport and services, socio-demographic factors, effective representation, community services, cost-effective administrative structures and community satisfaction with local governance,

- ***Managerial issues*** such as rational efficient administration, and

- ***Political issues*** involving the interests of political parties and individual state and local government politicians.

The instability that comes from the interaction of these types of issues leads to the intractable nature many of the problems, which makes them suitable for analysis as wicked problems that may be managed but not ultimately resolved.

5.2 Hypothesis

A hypothesis is a statement which invites investigation and requires proof or validation. During the course of this research several hypothesis were considered and investigated. As the research was conducted these hypotheses changed and developed over time, influenced by the discovery of relevant literature, articulation of the research and the process of reflection. In framing the hypothesis, the researcher is not in a position to know whether the hypothesis is valid and must not form a view prior to undertaking the research. As a consequence of the research questions, the hypothesis tested in this thesis

is that local government amalgamations has delivered benefits in the outer metropolitan context of the Hume City Council case study; however this has been in an environment in which trust, identity, governance and government have interacted with each other to create a wicked problem that requires ongoing effective management.

In testing this hypothesis, the contribution of this thesis is to fill the gap in the literature about what is known of wicked problems in the local government sphere. This is shown in Figure 52, whereby data such as interpretative and factual based information is consolidated with the literature – establishing a different argument that has application to the existing knowledge. Significant amounts of research have been conducted about local government amalgamations and the impact on the communities affected. However the literature search has found no research conducted to date has linked these local government issues to the principles of wicked problems and their inherent unsatisfactory resolution or ongoing management.
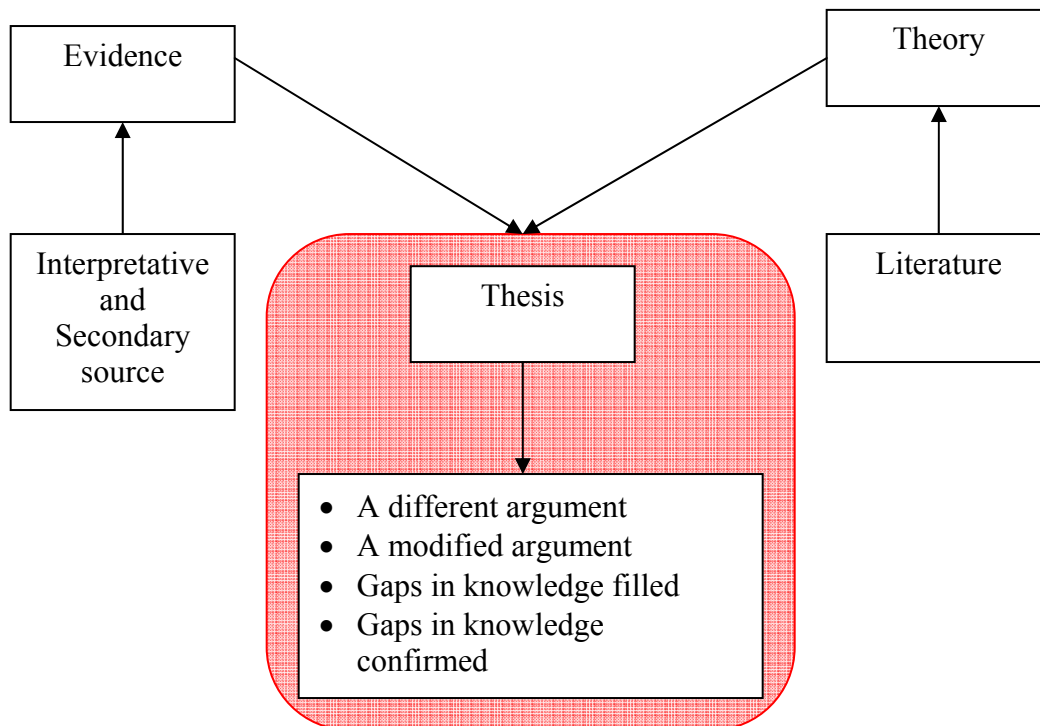
Figure 52: Thesis flow chart

5.3 Analysis and Conclusion

This research has examined the policy framework aimed at addressing and maintaining community governance in Victoria by the State Government from the period of local government amalgamations in 1994 to the present day. During this period two municipalities have been subject to governance reviews; Hume City Council in 2000 and Delatite Shire in 2002. Through the examination of the Hume City Council case study, this thesis has described and analysed the post-amalgamation era and the impact on the community. Through the analysis of community participants' perceptions and understandings, they perceive local governance arrangements as inadequate and have expressed their desires for new governance structures through de-amalgamation.

This thesis has far wider application than simply the Hume City Council case study; it can be used to help manage the variety of pressing problems that are characterised by high levels of complexity and conflict that relates to social or cultural values and nebulous but potentially important concepts such as community of interest post-amalgamation.

This thesis has reached the conclusion that the concept of wicked problems is applicable to the management of the case study and other complex problems created as a result of local government amalgamation. Wicked problems, in contrast to tame problems, are policy problems that cannot be fully described. They are problems characterised by high levels of risk and/or political uncertainty, social complexity, scope and scale of the issues involved, and absence of a clear public consensus on values, the nature of the problem, and/or acceptable solutions. Solutions to wicked problems are not true/false, but expressed as better or worse, or good or bad or, satisfying or good enough.

The wicked problem context of this thesis cites decision making as the major focus. Decisions in the community about authority, governance, identity and community consultation directly affect the key concept of trust and the inherent unsatisfactory resolution of local government wicked problems. Through the application of wicked problems in the local government sphere, this thesis has developed an application to

literature that has not been previously explored. The Hume City Council's current mechanisms for managing this wicked problem were based on technical analysis alone; this analysis cannot consider social values and deliberation. This inadequate decision-making framework has further exacerbated the management of wicked problems in this local government environment.

Trust, identity, governance and government are critical concepts for the analysis of local government in Victoria in the post-amalgamation period. The interaction of these concepts with the wicked problems encountered since amalgamation creates a space that requires effective management by local and state authorities: this is shown in Figure 53.
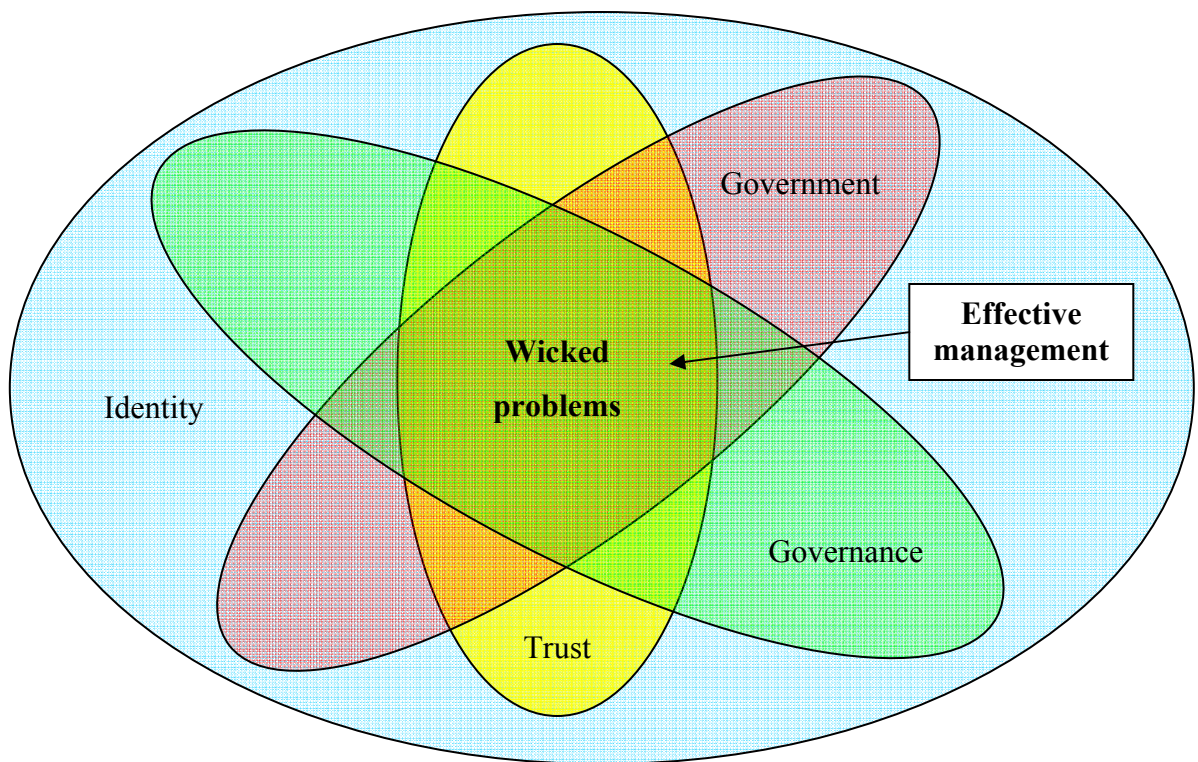
Figure 53: Interaction of key concepts

Drawing together these key concepts from the literature review with the perceptions and understandings described in the preceding chapter, this thesis concludes that local government amalgamation in Victoria has delivered administrative benefits and

economies of scale linked with efficiency and equity, however these benefits have occurred in an environment in which the concepts of trust, identity, governance and government have interacted with each other to create a wicked problem that requires ongoing effective management.

Whilst de-amalgamation may create further unforseen wicked problems the aspect of increased devolution from State government to local government is suggested by Lownes and Sullivan (2008) because small-scale governance is associated with participation and responsiveness. The typologies of devolution described by Lownes and Sullivan are analysed in terms of capacity, competence, diversity and equity. The emergence of grassroots campaigns – such as the neighbourhood councils movement of the 1970s (Cockburn 1977) – has demanded a more 'people friendly' size and style of governing. Lownes and Sullivan cite reforms introduced under New Labour in the United Kingdom as an attempt to manage the competing tensions, or wicked problems that have been encountered by amalgamation and local government reform. This management strategy has driven policy-makers to simultaneously pursue centralisation and decentralisation through a range of different policy drivers designed specifically to support the shift towards devolution, particularly in Scotland. McAteer and Bennett (2005) found that devolution to Scotland and other regions was introduced to bring government closer to the people. At the same time it allowed English regions the chance to have a greater say over the key issues that affect them and the power to devise tailored regional solutions to regional problems. This generates new issues that require management of ongoing wickedness.

One of the unexpected factors in successful devolution is the role of community leadership, with policy-makers promoting the virtues of 'catalytic leaders' able to harness the energy of a range of actors in the pursuit of improved outcomes for the neighbourhood, the locality, or the nation (Luke 1997). This was demonstrated in Delatite through an organised campaign with key community champions, including the local Member of Parliament. Lownes and Sullivan (2008) argue the new governance spaces that are opened up as a result of these reconfigurations that enable 'performing citizens'

to become directly involved in the co-production of particular policy outcomes that matter to them. As a result, their contributions to specific policy projects combine to generate a system of co-governance.

Co-governance, is a form of devolution, and has been described by Dolley (2009) in a recent paper published after this research for this thesis had been completed. It may be enacted through networks created either by the state for the purpose of improved system effectiveness, or by citizens themselves operating outside conventional political systems and structures. Devolution is one mechanism to address the disenchantment with forced local government amalgamation. Cornwall (2004, p.2) differentiates between two distinct forms of co-governance, identifying state-sponsored devolution as 'invited spaces' into which citizens enter at the behest of the state, and citizen initiated networks of co-governance as 'popular spaces', arenas in which people come together at their own instigation. This reflects 'top down' and 'bottom up' approaches to managing wicked problems. However Sutcliffe (2007) notes that devolution attempts have been largely a 'top-down' process driven by the state, not 'bottom up' from the community or from local governments.

The role of local government in pushing a policy agenda from the 'bottom up' is particularly difficult. In a comparison of EU and Canadian systems of local governments, Sutcliffe (2007) found that the decision-making structure between State and local government varies, depending upon the nature of the decision. However in both cases, local government is more prominent in decision making at the implementation stage than during constitutional or legislative changes. This indicates the ongoing nature of local government is through administration of state government policies as suggested by van Gramberg (2000). In Australia this state-local relationship is further imbalanced by the reliance of local government on state government funding; a failure to recognise the role of local government in the constitution; the structure of local government being determined by central government; and the threat of State Government legislative amendments. Tindal and Tindal (2004, p.204) note that in the Canadian example

'municipalities still remain vulnerable to capricious actions taken by their provincial governments', and the same applies in Australia too.

The subordinate role of local government in Australian governance arrangements means the policies of State Government are critically important. Governance is the process to collectively solve society's problems and government is the instrument used to do this. In this sense the instrument of government can be a blunt tool that simply compounds problems that governance is attempting to resolve. This leads to wicked problems and their inherent unsatisfactory resolution. Attempts can be made to negotiate through wicked problems, however they will never be resolved; there can only be better or worse outcomes. In the Hume City Council case study a governance arrangement that empowers community participants to affect the outcome of a process will result in a situation that may not be resolved satisfactorily, creating an inherently wicked problem, but the process used to achieve the outcome is respected and accepted. This is consistent with Pierre and Stoker (2002) who interpret governance as negotiated, non-hierarchical exchanges between systems of governing at different institutional levels and 'the essence of governance is its focus on governing mechanisms which do not rest on recourse to the authority and sanctions of government' (Pierre & Stoker 2002, p. 32).

The transformation to a greater emphasis on more governance, where regulation has replaced ownership as the preferred form of public intervention, has led to a model of New Public Management. This model produces a 'contract state' that focuses on results, not rules, where corporate planning, objective-setting, program budgeting, and performance monitoring are the key drivers and government is organised and run like a business (Alford & O'Neill 1994). One of the possible consequences of the predominance of economic objectives in government policy setting is the danger that the other functions of local government – representation, participation, access and regional identity – will become subsidiary considerations. From the efficiency perspective, the probable benefits of amalgamations can be projected in specific numerical and financial terms. It is much more difficult to quantify the effect of amalgamation on democratic values. This balancing act of continued focus on reforms aimed at efficiency whilst still maintaining

good governance is a significant challenge faced by local government in this post reform period.

To tame this post-amalgamation wickedness, the ongoing relationship of trust has been identified in this thesis as a critical component of any process of management. Levels of trust between the various layers of government remain of fundamental importance, and a process that generates confidence of stakeholders will generate confidence in the outcomes. Without trust in the process, the process is destined to lack legitimacy and acceptance.

The disharmonious relationship that was created as a result of local government amalgamations for Hume City Council has demonstrated the ongoing nature of the wicked problem. Through the investigation of this case study, this thesis has concluded that the application of wicked problem theory is appropriate. This theory has at its core the concept that there are some problems that cannot be solved and can only be managed to provide better or acceptable outcomes. They are generally problems that are intractable and characterised by: high levels of risk and/or political uncertainty; social complexity; scope and scale of the issues involved; and absence of a clear public consensus on values, the nature of the problem, and/or acceptable solutions. This is applicable to the Hume City Council governance case study, and is applicable to other local government regions within Victoria and Australia.

The ongoing management of these relationships will require a reassessment of some of the traditional ways of working and solving problems in the public service. If the same traditional models are used, stakeholders, decision makers and community participants will continue to seek 'yes/no' answers and continue to create ongoing problems.

Finally, this thesis suggests several techniques for managing wicked problems in cases with similar wicked problem dynamics. First, part of the solution to wicked problems involves changing the behaviour of groups of citizens or all citizens. Where strongly held views are commonplace, a level of flexibility is to be encouraged. Through a

collaborative approach whereby participants are encouraged to be open-minded, flexible and respect each others points of view, key participants may emerge from the process disagreeing with the outcome but with respect for the process. This leads to acceptance of the outcome, and may enhance social capital – or at the least not reduce it. This is the task for management of wicked problems.

Collaboration will improve the relationships between often adversarial parties and build a level of trust. In the Hume City Council case study it will facilitate an acceptance of local identity and community of interest whilst seeking to resolve the governance question within the established government institutional frameworks. The debate will need to accept that past processes aimed at resolving wicked problems has divided stakeholders into two opposing camps, 'for' and 'against', and created a dialogue in which neither side hears or responds to the other. Thus the consultation process generates what Laird (1989) described as a 'rhetoric of distrust' and a strategy on both sides of 'whatever it takes' to win. In addition, Arnstein (1971) suggests there needs to be an element of a redistribution of power in a substantive consultation effort. Shallow levels of consultation at the 'placation' or 'tokenism' levels of Arnstein's Ladder of Citizen Participation will only raise public expectations that will be difficult to fulfil, particularly if a decision has already been made.

Another technique to manage wicked problems is to tame the wickedness of the problem, so the focus is on one smaller aspect that is more manageable. This method is espoused by Conklin (2006) who suggests most problems have degrees of wickedness, however because tame problems are easier to solve, reinforced by a lack of understanding about wicked problem dynamics, there is a tendency to deny the wickedness. This denial is due to a reluctance to tackle problems that by definition cannot be solved, only tamed.

Whilst local government reform in Victoria has delivered administrative benefits and economies of scale, it has created wicked problems that require ongoing management. The effective management of the Hume City Council case study will require input from Hume City Council *and* the State Government. Local Government Victoria, through the

Department of Planning and Community Development will need to take a proactive approach to the management of wicked problems in Victorian local government. The sources for the discontent and the characteristics that are witnessed in the Hume City Council case study are equally evident in other municipalities including Delatite.

This analysis and conclusion chapter has sought to address the research questions raised in the introduction to this thesis. The rationale behind local government amalgamations of 'efficiency, effectiveness and accountability' has delivered benefits in the outer suburban context of the Hume City Council case study. Local government has greater capacity and flexibility of service delivery and can undertake major projects that were not viable prior to amalgamation. In addition to service delivery, local government is the tier of government closest to the community and can be most effective in consultation and decision making. This may achieve an outcome that is accepted by all participants because the process used to achieve the outcome is acknowledged and accepted. This governance aspect of local government requires greater effort to manage wicked problems in the future. The Panel report investigating the Hume City Council case study did not adequately assess how cost effective governance and administrative principles could be applied, and overseas examples of variability in institutional design were used to facilitate innovation and adaptation in the local government environment in recognition of wicked problems. Amalgamation of local municipalities in Victoria was delivered in an environment in which the key concepts of trust, identity, governance and government were not emphasised. The focus on 'efficiency, effectiveness and accountability' during the reform era has been to the detriment of the key concepts described in this thesis in the post-amalgamation era. This situation has resulted in wicked problems that will require ongoing management.

This study has shown that wicked problems are inherent in local governance issues, and may have been exaggerated in instances such as the Hume City Council case study where distinct differences have been identified and articulated to policy makers. It has demonstrated that local government amalgamation arguments in the Hume City Council case study are out of date, and a comprehensive policy response from government is

required to facilitate an accepted resolution. Whilst this thesis has built upon the notion that efficiencies have been achieved through amalgamation, it is increasingly clear that local administration of Sunbury will have to be addressed through structural reform or ongoing management of wicked problems within existing structural arrangements. The findings within this thesis are applicable to many examples of local government amalgamation, and the solutions offered to address these problems are the ongoing challenges facing policy makers in the post-amalgamation period.

List of Interviews 2008

Note: Acronyms were used throughout the thesis to protect participant's identity however all consented to publishing their participation in this research.

Ms Joanne Duncan, Former Member for Gisborne 1999-2002, Member for Macedon 2002-current, 14 April.

Mr Domenic Isola, Former Director of Governance 1996-2006, Hume City Council Chief Executive Officer 2007-current, 11 April.

Mr Roger Male, Panel Member of possible restructuring of the Hume Municipality 2000, and possible restructuring of the Delatite Shire, 2002, 22 May.

Mr Jack Medcraft, Former Jacksons Creek Ward Councilor, Independent Candidate for Macedon at 2006 State Election, 10 April.

Mr Bernie O'Farrell, President, Sunbury Residents Association, former Shire of Bulla Councilor, 11 March.

Cr Jack Ogilvie, Jacksons Creek Ward Councilor 1990-current, 11 March.

Cr Ann Potter, Jacksons Creek Ward Councilor 2000-current, 18 April.

Mr Julian Stock, Panel Member of possible restructuring of the Hume Municipality 2000 and possible restructuring of the Delatite Shire 2002, 5 June.

Mr John Watson, First Chief Executive Officer of Hume City Council 1996-1998, Executive Director Local Government Victoria 1999-current, 14 March.

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