

Shaping regional and rural Victoria: A discussion paper

for the Municipal Association of Victoria

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Contents

A positive planning agenda for regional and rural Victoria	i
1. Introduction.....	1
2. Regional and rural planning challenges	4
2.1 Planning for Regional and Rural Victoria in context.....	4
2.2 Forecast growth.....	5
2.3 Selected challenges facing regional and rural Victoria	5
3. The five pillars of regional and rural planning.....	18
3.1 Overview.....	18
3.2 Respecting and integrating Country and landscape	19
3.3 Strong centres and employment clusters.....	21
3.4 Enhancing rural and agricultural economic activities	23
3.5 Housing choice, affordability, and sustainable neighbourhoods	25
3.6 Infrastructure for growing and resilient communities.....	27
4. Plan delivery and system efficiency	29
4.1 Overview.....	29
4.2 Governance arrangements.....	29
4.3 Regulation.....	33
4.4 Resourcing.....	41
5. Whole of government operational plans.....	44

LIST OF FIGURES

Figure 1: Impacts of Climate Change in Victoria.....	7
Figure 2: Share of Jobs by Industry Category, Place of Work, 2021 Census	9
Figure 3: Percentage Change in Jobs by Industry Category, Place of Work, 2016-2021 Censuses.....	10
Figure 4: Victorian Renewable Energy Zones (REZ)	12
Figure 5: Type of Dwelling, Regional Victoria and Victoria, 2021 Census	14
Figure 6: Regional Victoria Growth and Decline, 2018-2022.....	17
Figure 7: Regional Growth Plan Regions.....	30
Figure 8: Alignment of Responsibilities and System Responses in the Planning System	36
Figure 9: Four Frames of Development Contributions	38
Figure 10: Government Expenditure Per Capita in Australia by Government Sector (2012-2021)	42
Figure 11: Potential Framework for Strategic and Operational Plans	44

APPENDIX 1

A positive planning agenda for regional and rural Victoria

A Plan for Victoria, or Plans for Melbourne and the Regions?

The Victorian Government's Housing Statement was released in September 2023. It introduced 'streamlined' pathways for housing related development assessments including a greater Ministerial role. The Housing Statement also includes a commitment to updating Plan Melbourne 2017-2050, with a new whole-of-Victoria focus, and further planning reform via a review of the Planning and Environment Act 1987.

The MAV has commissioned SGS Economics and Planning to prepare a Discussion Paper addressing 'what a Plan for Victoria should include and how the planning vision could be delivered, with local government acting as a valued and indispensable partner'.

A statewide plan as proposed by the Government, or at least a state-wide planning framework, should be supported. It provides the opportunity to establish a compelling long-term vision for development across the state, which fully addresses the relationship between Melbourne as the dominant urban centre, peri-urban areas so dependent on their relationship to Melbourne, and regional centres and hinterland rural areas. It provides the opportunity to establish an aspirational target for the split of future population between metropolitan Melbourne and regional Victoria.

However, in our view, **a single Plan for Victoria is not sufficient**. It can't adequately recognise or distinguish the distinct metropolitan, regional and rural communities of interest, and their unique spatial characteristics and needs. The complexity of metropolitan Melbourne as an integrated labour market, requiring inter-connected thinking about housing, employment centres and clusters, transport, the environmental context and the host landscape, deserves its own comprehensive plan. As they face different issues, regional and rural areas also deserve distinct plans that recognise communities of interest.

Plans for both Melbourne and the regions are required to address distinct and growing challenges. A bold and positive agenda for these plans is proposed in this Discussion Paper, with local government positioned appropriately at the heart of implementation, recognising its role as content experts and local place custodians.

Growth projections

The Victorian Government's official population forecasts suggest that regional Victoria's **population will increase between 2021 to 2051 by 646,000 people to 2.28 million**. To accommodate this growth about 12,000 additional dwellings will be required every year – **or 233 dwellings per week**.

In 2021 Victoria's population split was 72.5 per cent in metropolitan Melbourne and 27.5 per cent in regional areas. Looking forward Victoria in Future assumes regional Victoria will only accommodate 17 per cent of the additional population growth to 2051, implying an ever reducing share of development and economic activity in the regions.

The potential to accommodate a greater share of the future population in regional areas should not be discounted. With pro-active planning and supportive major infrastructure investment, including prioritising fast connections to central Melbourne, and investment in regional economic development, major regional centres, peri-urban areas and amenity rich smaller towns could accommodate additional population and jobs growth than the official forecasts suggest.

While regional Victoria has enormous growth opportunities environmental, social and economic challenges need to also be addressed.

- Climate change is bringing more hazardous events such as flooding and bushfires. The Black Summer of 2019-20 was catastrophic and traumatised many regional communities; the 2022 floods which inundated and damaged homes revealed how at-risk areas should never host new housing. Ecosystems and biodiversity, and land used for food production need protection. Sea level rise and inundation is a risk that needs consistent consideration in future development management. In many parts of regional Victoria growing the fastest, the areas available and suitable for new development are shrinking.
- Higher rates of sustained growth will depend on deepening the pool of higher value business services employment opportunities, particularly in the major regional centres. Currently only 16 per cent of jobs in regional Victoria are in these business services or 'knowledge' sectors, compared to about 27% in metropolitan Melbourne. More business services jobs in regional centres will strengthen value chains, including those associated with agricultural and mining production, make the regions attractive to a wider range of workers and underpin wealth creation,
- The complexity of uses, and competition for land, is increasing in rural areas. The popularity of rural (non-farm) living, structural shifts in regional economies (including towards 'corporate' farming), and land needs for the energy transition to renewables, are all challenging traditional agricultural uses, including reducing food production capability. Compounded by climate change, such risks to rural economic sustainability are only likely to increase.
- Many greenfield development areas in regional Victoria are hampered by a lack of scale and consistent development momentum. Issues include difficulties in sequencing or coordinating land for release because land is withheld (e.g. owners are not ready to sell or are content using the land for another use), or ownership is fragmented (including sometimes in restrictive rural and low density residential zones), and an inability to feasibly 'forward fund' development infrastructure (like drainage or major roadworks) which is critical to enable development to occur.
- The Government's target for 70 per cent of new housing in regional Victoria to be in 'infill' or the established parts of towns and cities is a very ambitious one. Fundamentally, infill development which implies medium to high density dwellings, is riskier in regional Victoria. Developers favour the form they know will reliably sell, which is detached dwellings. This is self-reinforcing because it also means there is generally a shallow local industry capacity for more diverse non-traditional housing types.
- Growth has often been faster in regional areas than anticipated by the 2014 and now outdated Regional Growth Plans and official population forecasts. As new growth areas have been identified so have calls and demands for key items of state infrastructure such as arterial roads, public transport upgrades and new social infrastructure such as schools. Pressure on sensitive environments has increased. The funding and investment challenge for State Government to provide infrastructure across multiple fronts has compounded. Sometimes infrastructure provision has 'lagged' such that new development areas have not been able to develop as intended.

- Until the Covid 19 pandemic the availability and affordability of housing in regional Victoria was not a particular area of policy focus or wider interest. The increased attractiveness of non-metropolitan areas during and immediately after the pandemic disrupted often shallow housing markets and a new regional dimension to the affordability crisis emerged. Despite the arguments of some, there is very limited evidence that building more private market housing alone can address the housing affordability crisis affecting so many residents. An enduring re-investment in social and affordable housing, and for regional areas in particular key worker housing (alongside other taxation and macro-economic policy support), and support for alternative community, tenure and ownership types, is also required.

To address these and other challenges new directions across ‘five pillars’ for regional and rural planning and four implementation themes are identified.

More than housing: five pillars of regional and rural planning

Region-scale strategic planning should be based on an overall vision for the future settlement structure of the region. It identifies the broad extent of urban or settlement areas; identifies the relative economic and service roles of regional cities, towns and smaller settlement areas; provides clarity on the future and use of agricultural and rural areas which underpin the export wealth of regional economies; identifies where other major industrial and employment lands are to be located, supported by transport connections; identifies where new housing is to be provided consistent with the desired future settlement structure, while also ensuring that support infrastructure and services are efficiently provided; and how governance and delivery systems will support place-based outcomes. The best strategic planning establishes clear spatial and place-based development directions supported by community exposure and engagement.

Strategic regional planning is crucial to creating a ‘line of sight’ for assessing the merit of development proposals and in translating objectives into planning controls at the local level.

The State Government’s current regional strategic planning directions are contained in Regional Growth Plans (RGPs) dating from 2014. The suggested directions in this discussion paper address new and emerging challenges expressed under five regional and rural planning pillars:

1. **Respecting and integrating Country and landscape** which should be supported by: meaningful Planning with Country; comprehensive and consistent state-led bushfire, flood and sea level rise mapping; confirmed ‘growth boundaries’ for major centres; and effective policies to achieve tree canopy aims and a greater extent of ‘blue-green’ infrastructure for cooler town environments.
2. **Strong centres and employment clusters** means focusing on attracting business services or ‘knowledge’ sector jobs to the major regional centres, including directing government jobs to these centres; as well as the preparation of a Regional Industrial and Commercial Land Use Plan to provide for strategic industrial land hosting critical distributed economic and enterprise activities.
3. **Enhancing rural and agricultural economic activities** beginning with clearer and better mapping of areas for agricultural protection, following by a much stronger planning framework to support the sustainability of agricultural and rural land uses – recognizing the increasing competition for rural land, the need to support the transition to renewable energy generation and climate hazards.

4. **Housing choice, affordability and sustainable neighbourhoods** with aspirational housing capacity targets for each council area and identification of major residential growth precincts demonstrating how the future settlement vision will be achieved, supported by policy guidance showing how social and affordable, and key worker housing, liveability, open space and zero carbon targets can be achieved.
5. **Infrastructure for growing and resilient communities** including aligning the State Infrastructure Strategy with the growth directions included in regional strategies, the development of consistent state provided benchmarks and guidelines for community infrastructure and open space to enhance local planning and place outcomes.

A broad-based reform agenda that recognises local government's core role in plan implementation and system effectiveness

An effective plan or framework for delivery of regional plans is missing. For regional areas there is an urgent need for new regional plans, given the age of the RGP, but it is just as important to establish an effective implementation framework.

The planning system as a whole – including its ability to deliver the aims of future plans for Melbourne and the regions, and other strategies and policies, and meet the expectations of the development industry and communities - needs review and reform. The Housing Statement has not addressed the fundamental challenges confronting the planning system. These constrain prospects for achieving its ambitious housing supply aims, let alone the liveable, productive and sustainable goals of regional planning.

Directions for reform to enhance plan delivery and establish a responsive system can be identified in four key areas, as follows:

1. **Governance** – The critical role for local government as a content expert and partner in implementing planning aims and strategies should be re-affirmed, alongside the establishment of a strengthened regional plan development, coordination and implementation arrangements that involves local government and Traditional Owners, with an expanded and re-booted role for Development Victoria for demonstration and actual delivery of housing and place aims.
2. **Regulation** – with planning reform to better align responsibilities and system responses in the planning system (see figure overleaf) including an audit of the VPP provisions for plan delivery and system efficiency, and to confirm councils as co-stewards of the planning system.
3. **Infrastructure Funding** – This is about the ability to raise funds for infrastructure to support planning aims and should: include a 'pre-scheduled' value capture contribution (or 'development licence fee') with council land exempt and a share of revenue distributed back to councils; recognizing the development catalysing role of water authorities in the regions by better aligning their investment programming with regional land use planning; 'finish' the Infrastructure charges plans reforms by establishing a system of standard rates for local development contributions in parallel with Development Contribution Plans alongside a facility for early or forward financing of major infrastructure; and establish a state-wide and mandated Social and Affordable Housing Contribution (similar to the abandoned 2022 proposal).

4. **Resources** – Ensuring effective implementation and administration of the system, requires the removal of rate capping to enhance the fiscal independence of local government, the provision of targeted funding for planning scheme amendment work undertaken by local government, and the preparation of a workforce plan to expand town planning staff.

ALIGNMENT OF RESPONSIBILITIES AND SYSTEM RESPONSES IN THE PLANNING SYSTEM

Complexity	Simple	Moderate – foreseeable but hard to codify	Strategically important and consequential, novel, complex
Policy design	Codify and remove from the system	Clear descriptions of intended outcomes (e.g. use, density and height).	Principle-based controls
Assessment type		Primarily technical assessment	Policy interpretation and judgement required – may raise significant policy questions
Notification and review		Limited to directly impacted parties	Available to third parties (unless compelling case otherwise)
Assessment / recommendation		Council officers	Council officers / independent panel
Decision-maker		Council officers / independent panel	Metropolitan or regional authority / Minister

To ensure whole of government and inter-government clarity on roles and responsibilities the preparation of a **separate operational plan** is proposed.

5 Pillars of regional and rural planning

Respecting and integrating Country and landscape

Development in regional areas and rural economic activity should respect and minimise impacts on biodiversity, precious landscapes, waterways and natural resource catchments. Vastly improved approaches to environmental sustainability are required - particularly in the face of climate change which existentially threatens some ecosystems and living environments. Sensitively planning with and for Country – respecting the Aboriginal approach to stewardship and care of soils, plants and water over thousands of years – will be at the heart of these new approaches.

Strong centres and employment clusters

The role and function of regional cities and towns vary significantly. Regional cities have grown strongly as service hubs. Small towns in remote areas still play a vital local service role. Other towns may be relatively static or even declining. This network of cities and towns provides the 'structure' for regional economies and needs to be understood and supported through regional planning. Services employment is best clustered and located in centres to maximise accessibility to residents and workers, and where they can benefit from 'agglomeration' (that is from business competition and collaboration). Industrial and employment land areas need to be provided for the trades, urban services, storage, manufacturing, and freight functions which are still crucial in supporting regional and rural economic activities

Enhancing rural and agricultural economic activities

The less settled, rural areas of regional Victoria need special attention in regional planning. Areas that contain and sustain high value agricultural production should be protected from encroaching and conflicting land uses, while other primary production areas should also be subject to appropriate planning controls. Renewable energy zones should be explicitly accommodated in a way that enables co-existence wherever possible with other valued rural economic activities. Climate change impacts should also be recognised.

New directions

- Commit to **Planning with Country**.
- **Commit to bushfire and flood mapping** to identify areas unsuited to development or intensification
- Commit to **universal minimum floor level standards** for sea level rise to be applied to all coastal LGAs.
- **Confirm growth boundaries and areas to be protected** from future development
- Establish and maintain networks of **'green' and 'blue' infrastructure within new and established areas**, through tree canopy requirements and reforms to open space contributions.
- **Identify a regional cities and towns hierarchy** to support their different roles and functions.
- **Prepare a Regional Industrial and Commercial Land Use Plan** which includes clear monitoring and planning and infrastructure investment guidance for local, regionally significant and state significant industrial areas.
- **Establish clearer and better mapping of areas for agricultural protection** taking account of a changing climate, land capability and strategic attributes.
- **Provide a planning framework and policy tools** to support the sustainability of agriculture and rural land uses.

5 Pillars of regional and rural planning

Housing choice, affordability, and sustainable neighbourhoods

The Covid pandemic elevated the stresses in regional housing markets. Development pressures accelerated in peri-urban areas and regional cities like Geelong and Ballarat, with environmental management, sequencing and infrastructure coordination issues akin to Melbourne's growth areas arising. Elsewhere in some smaller cities and towns spikes in development activity put pressure on land use planning systems, infrastructure and local council resources. The affordability crisis spread to the regions.

State-wide regionally relevant policy guidance for residential development is required. This will assist planning for development in heritage contexts, addressing contamination, considering and managing bushfire risks, providing buffers to agricultural activity, and undertaking housing and built form analysis. Measures to encourage and accommodate key worker, social and affordable housing need to be accommodated. Infill housing where realistic should be a focus. Planning for housing growth needs to balance a range of objectives: delivering greater housing choice, improving affordability outcomes, and creating sustainable neighbourhoods. More sophisticated and design conscious approaches are required that demonstrate how additional development can address changing needs and household means, while leveraging higher amenity outcomes.

Infrastructure for growing and resilient communities

Accommodating growth and creating new housing requires investment in both physical development and local community infrastructure, delivered at the right time, to support resilient communities.

At a Victoria-wide level regional rail connections and major freeways reinforce the desired overall settlement structure. For major regional cities faster connections to the Melbourne skills, labour and economic activities pool are a priority. Within regions local public transport, arterial roads and traffic works are required to unlock housing potential in new development areas. Effective transport planning, and the incentives and penalties 'in the system' also drive sustainable changes in travel behaviour and support the transition to less polluting modes such as public transport and electric vehicles. Other state infrastructure such as schools and health facilities should accompany development in a timely fashion.

Community infrastructure is the collective spaces and programs through which people socialise, learn, recreate, create, and celebrate culture. Councils in regional areas need the tools to plan for and fund new or upgraded infrastructure in a timely fashion, and to maintain infrastructure and services in small townships and dispersed settlements or where communities are experiencing social and economic disadvantage.

New directions

- Nominate **aspirational housing capacity targets by municipality** to guide local planning, to demonstrate achievement of the settlement vision.
 - **Identify major residential growth precincts** and provide clear principles for growth planning.
 - Prepare **regionally relevant policy guidance** for sustainable neighbourhood planning and development.
-
- Align the **State Infrastructure Strategy with the regional land use** strategies.
 - Commit to development of **infrastructure benchmarks and guidelines** as a baseline for local planning.
 - **Establish state guidance** for open space contributions.

Priority areas for reform to enhance plan delivery and system efficiency	New Directions
<p>Governance – how can responsibilities for implementing planning aims and strategies be allocated and strengthened?</p>	<ul style="list-style-type: none"> ▪ Reinforce the critical role for local government in plan implementation and system stewardship ▪ Establish stronger regional planning, coordination and implementation arrangements ▪ Re-boot Development Victoria for orderly and innovative development in greenfield and infill areas, with a mandate to generate net community benefits (social, environmental and economic outcomes) over commercial returns ▪ Establish Traditional Owners as equal partners in developing and implementation ▪ Commit to measurement of plan effectiveness
<p>Regulation – how can the system to regulate land use and development be improved in line with metropolitan and place planning aims?</p>	<ul style="list-style-type: none"> ▪ Undertake a regulatory audit of the VPP provisions for plan delivery and planning system efficiency ▪ Recognise councils as co-stewards of the planning system, including through structured stakeholder engagement and feedback in system reforms ▪ Provide more structure and rigour to the way variations to discretionary provisions are considered and assessed
<p>Infrastructure Funding – are the means to raise funds for infrastructure to support planning aims ‘fit for purpose’?</p>	<ul style="list-style-type: none"> ▪ Establish a ‘pre-scheduled’ value capture contribution (‘development licence fee’) to replace the Windfall Gains Tax and GAIC with council land exempt and a share of revenue distributed back to councils ▪ Better align water authority and other state infrastructure funding and planning with regional land use planning ▪ Establish a system of standard rates for local development contributions in parallel with DCPs ▪ Establish a financing mechanism to forward fund local development infrastructure ▪ Establish a mandated Social and Affordable Housing Contribution
<p>Resources – what needs to change to ensure effective implementation and administration of the system?</p>	<ul style="list-style-type: none"> ▪ Remove rate capping for enhanced fiscal independence of local government ▪ Provide targeted funding for planning scheme amendment work undertaken by local government ▪ Work with local government to prepare a workforce plan for strategic and statutory planners
Implementation framework for the Plan for Melbourne	New Directions
<p>For whole of government and inter-government clarity</p>	<ul style="list-style-type: none"> ▪ Prepare a separate operational plan to guide whole-of-government implementation of strategic plans

1. Introduction

The housing crisis is focusing the attention of policy-makers. National Cabinet has agreed to a national target to build 1.2 million new well-located homes over five years, from 1 July 2024. The National Housing Accord provides incentives for the states and territories to undertake planning, zoning, land release and other measures to improve housing supply and affordability.

In this context the Victorian Government released *Victoria's Housing Statement: The decade ahead 2024-2034*¹ in September 2023 with a range of proposed reforms and initiatives focussed on planning system reforms (including 'streamlining' pathways for housing related development assessments including a greater Ministerial role), public housing renewal and development, and changes to renters rights (see box overleaf). For the longer term the statement also proposes:

- a future new strategic plan for the whole of Victoria which will target a split of residential development with 70 per cent in established areas and 30 per cent in growth areas
- a review and re-write of Planning and Environment Act 1987 promising to 'establish and clarify timeframes for decisions, as well as looking at the roles and responsibilities of everyone involved in our planning system...'

The MAV is the legislated peak body for local government in Victoria. It has a duty to advocate for the interests of its member councils. The MAV wants to position itself to positively influence the unfolding planning reform agenda in Victoria. As a step towards the preparation of a position paper the MAV has commissioned SGS Economics and Planning to prepare a Discussion Paper addressing **what a Plan for Victoria would include and how this vision could be delivered, with local government acting as a valued and indispensable partner.**

The Discussion Paper **is not** an adopted position statement of the MAV. The views expressed here are SGS's, though have the benefit of engagement with and comments from senior council staff and elected representatives in two briefings/workshops.

¹ <https://www.vic.gov.au/housing-statement>

State Government Housing Statement

In September 2023 the Government released the *Victorian Housing Statement: The Decade Ahead 2024-2034*. It has a focus on facilitating and accelerating housing supply, and explicitly claims this will enhance housing affordability (the Premier's foreword notes "It's a simple proposition: build more homes, and they'll be more affordable"). A summary of the key planning system reform elements are listed below.

Selected centralisation of decision-making including:

- Possible ministerial call-in for 'backlog' housing applications (after a 'dedicated team' works with councils, proponents and referral agencies).
- Expanded Development Facilitation Program to cover projects worth \$50m or more with 10 per cent affordable housing (\$15 million in regional Victoria), including Build to Rent projects; these will be exempt from objector notice and appeal rights, and assessed by the Minister.
- Development of 'clear' planning controls in 10 Activity Centres.

'Streamlined' development pathways including:

- No permit required for Garden units (granny flats) of less than 60sqm (plus extensions to car ports and sheds).
- More 'Deemed to Comply' residential standards ('meaning councils will only assess aspects of a permit that don't comply with those standards'), already partially enacted through converting some ResCode standards to deemed-to-comply provisions.
- Fast approvals for an expanded Future Homes program (these are standard apartment designs for amalgamated lots).
- Removing the requirement for a permit for single dwellings on lots between 300 and 500 square metres.
- Single dwellings on lots smaller than 300 square metres, where an overlay doesn't exist, will be VicSmart proposals.

Other initiatives address:

- Social housing projects / commitments
 - Replacing the 44 high-rise public housing estates by 2051.
 - Construction of "up to 769" social housing homes over five years with funding from the Commonwealth Government's Social Housing accelerator.
 - A new \$1 billion Regional Housing fund with a stated target of delivering 1300 new social and affordable houses in the regions.
 - Ongoing implementation of the Big Housing Build program.
- \$500 million released from the Victorian Homebuyer fund to support home buyers.
- A levy on short stay accommodation (such as Airbnb), with funds directed to Homes Victoria.
- Actions to protect renters rights, including restricting rent increases between fixed term rental agreements, introduction of a portable rental bond scheme and extension of notice to vacate period.

The statement also flags a future review of the Planning and Environment Act 1987 and an update of Plan Melbourne 2017-2050, with a new whole-of-state focus.

A Plan for Victoria, or Plans for Melbourne and the Regions?

The Government has proposed the preparation of a Plan for Victoria as a whole.

A statewide plan, or at least a state-wide planning framework, should be supported. It provides the opportunity to establish a compelling long-term vision for development across the state, which fully addresses the relationship between Melbourne as the dominant urban centre, peri-urban areas so dependent on their relationship to Melbourne, and regional centres and hinterland rural areas. **It provides the opportunity to establish an aspirational target for the split of future population between metropolitan Melbourne and regional Victoria.**

However, **a single Plan for Victoria is not sufficient.** It can't adequately recognise or distinguish the distinct metropolitan, regional and rural communities of interest, and their unique spatial characteristics and needs. The complexity of metropolitan Melbourne as an integrated labour market, requiring inter-connected thinking about housing, employment centres and clusters, transport, the environmental context and the host landscape, deserves its own comprehensive plan. While not as complex, regional and rural areas also deserve distinct plans that recognise communities of interest.

A Plan for Victoria should, as a minimum, include:

- A broad settlement vision including the aspirational split of future population between metropolitan Melbourne and regional Victoria
- Consequent housing aspirations for the metropolitan area and different regions
- Nomination of a regional centres and place hierarchy, including the economic role of key centres, supported by major transport connections and investments included in a State Investment Strategy
- Key state-wide principles by planning themes (e.g. housing, jobs, transport, rural areas, environment)
- A commitment to nested, separate regional plans and what we are calling here a Plan for Melbourne, with all the detail and directions contained in this discussion paper, considered for inclusion.

This Discussion Paper is focussed on regional and rural Victoria, though is complemented by a similar metropolitan Melbourne Paper. This emphasises the above point: that distinct approaches are required. This Discussion Paper contains:

- A summary of some key **regional and rural growth and development challenges in Victoria**
- A **'five pillar' agenda for regional and rural planning**
- An **implementation framework agenda covering governance, regulation, infrastructure funding and resources.** Some suggested directions included here are in part a response to Housing Statement reforms which have to a certain extent 'sidelined' local councils in the planning and development process. The directions recognise that as the closest level of government to communities, and as content experts, councils will be crucial to a successful metropolitan and regional planning and the ongoing success of planning system reforms.
- A concluding statement on effectively **operationalising metropolitan and regional plans.**

2. Regional and rural planning challenges

2.1 Planning for Regional and Rural Victoria in context

Regional Growth Plans

The State Government's current regional strategic planning directions are contained in Regional Growth Plans dating from 2014. The Plans aimed to establish a framework to accommodate growth across regional Victoria over a 30-year period, with broad areas identified for future residential growth, areas to be preserved, and regional priorities for infrastructure planning.

While each of the Plans is tailored to the characteristics and challenges in each region, they have a common structure with an identified vision, principles to achieve the vision, and a regional land use framework. This framework considers four key elements:

- Regional economy (including key businesses and industries, resources)
- Environment and heritage (including environmental and cultural assets, natural hazards and risks)
- Living in the region (including settlement networks and housing)
- Regional infrastructure (including transport, social infrastructure and utilities).

The framework also sets out a series of directions, policies, strategies and actions for the major centres in each region, which relate to planning for and managing future growth.

The Plans each conclude with a set of future directions for regional growth and their spatial application, and an implementation plan for the actions.

New Housing Statement

In the September 2023 Housing Statement, the Victorian Government announced it would prepare a new plan, covering the whole State. It proposes to include 'local government targets for where those homes will be built',² and implies that the government's 70:30 infill target will also apply in regional areas.

A state-wide perspective on growth, including understanding the future of the regions in relation to metropolitan Melbourne, as well as the unique challenges of peri-urban areas and regional cities, should set a valuable context for metropolitan planning. It will not however, replace the need for region-specific plans to direct growth, recognising unique regional environmental and settlement contexts, and varied growth and development challenges.

² Housing Statement, Victorian Government 2023

2.2 Forecast growth

The Housing Statement expresses the growth challenge as follows.

Victoria is the fastest growing state in the country: our population is expected to reach 10.3 million by 2051. Melbourne is set to become Australia's biggest city by the end of the decade, with the population estimated to grow by an additional 2.9 million people over the next 28 years.

If we're going to make sure the current problem doesn't get worse, we need to build 1.6 million homes by 2051 – that's around 57,000 homes a year. To ease the acute pressure people are currently facing, we need to deliver 2.24 million homes by 2051 – that's around 80,000 a year. On current trends, we are expected to build around 540,000 homes over the next decade. The work we're doing in this Housing Statement will facilitate an extra 250,000 homes being built in Victoria over the next ten years – and it'll support 16,000 jobs.

The official forecasts (Victoria in Future 2023) suggest regional Victoria's population will increase by 646,000 people to 2.28 million from 2021 to 2051³, with an estimated additional 364,000 dwellings over the same period⁴. According to these forecasts between 2021 and 2051 regional Victoria will deliver about 12,000 net additional dwellings annually, the equivalent of 233 dwellings per week⁵.

In 2021 Victoria's population split was 72.5 per cent in metropolitan Melbourne and 27.5 per cent in regional areas.⁶ Looking forward Victoria in Future assumes regional Victoria will only accommodate 17 per cent of the additional population growth to 2051⁷, implying an ever reducing share of development and economic activity in the regions.

A whole of Victoria Plan provides the opportunity to interrogate these projections, including identifying whether an alternative metropolitan versus regional Victoria population split might be more sustainable or desirable. This is a role for planning, to pursue a different future to 'business as usual' through appropriate policy and investment decisions.

The potential to accommodate a greater share of the future population in regional areas should not be discounted. With supportive major infrastructure investment, including prioritising fast connections to central Melbourne, and investment in regional economic development, major regional centres, peri-urban areas and amenity rich smaller towns could accommodate additional population and jobs growth.

2.3 Selected challenges facing regional and rural Victoria

The Regional Growth Plans from 2014 are out of date, given the context for planning is changing rapidly. New regional plans will need to consider what the past frameworks did well and how they could

³ Victoria in Future (VIF) 2023

⁴ *ibid*

⁵ *ibid*

⁶ *ibid*

⁷ *ibid*

do better and provide the guidance and direction to address new and evolving growth challenges. A selection of these challenges – by no means comprehensive – is discussed below.

Properly elevating planning for Country

First Nations perspectives and involvement in planning and development related issues is – rightly – coming into increased prominence. First Nations peoples across Australia have been managing the natural environment for thousands of years, with many examples of Indigenous land management practices having substantial benefits in protecting biodiversity and reducing the risks of hazards like bushfires.⁸

In Victoria, the State Government has reached agreement with the First People’s Assembly of Victoria on a Treaty Negotiation Framework, centred around self-determination, empowerment, and recognising First People’s right and responsibilities.⁹ The Framework will apply for both Traditional Owner Treaties and a Statewide Treaty, which, along with broader efforts to enhance indigenous involvement and agency in planning and land management, will in turn have potential implications for how land use planning is done in regional and rural areas.

Integrating First Nations perspectives and knowledge in the planning system has a long way to go, and will require a new way of thinking and operating to what has become the accepted practice of development in Australia since colonisation.¹⁰ This will be a challenge, as there are fundamental differences between the collaborative and deliberative nature of decision making among indigenous communities, and the bureaucratic, legislation-based practice of strategic and statutory planning.

Need for additional information and action on climate resilience

The impacts of climate change are already being felt locally. Impacts include the increased occurrence and severity of extreme weather events, and the likelihood of different climate or weather extremes simultaneously or in succession – having an even greater impact than those extremes occurring in isolation.

Regional Victoria is already seeing and feeling the impacts of climate change. The Black Summer bushfires of 2019-20 were catastrophic for many regional communities. Burning 1.5 million hectares of land across the State, the bushfires cause five deaths directly, additional deaths and health problems resulting from bushfire smoke inhalation, the destruction of hundreds of homes, substantial economic costs, loss of critical ecological habitats, and the deaths of a huge number of native and livestock

⁸ Macdonald, et al., 2022, ‘Recognising Indigenous knowledges is not just culturally sound, it’s good science,’ <https://www.preventionweb.net/news/recognising-indigenous-knowledges-not-just-culturally-sound-its-good-science>

⁹ First Peoples’ Assembly of Victoria, 2023, <https://www.firstpeoplesvic.org/reports-resources/treaty-negotiation-framework-fact-sheet/>

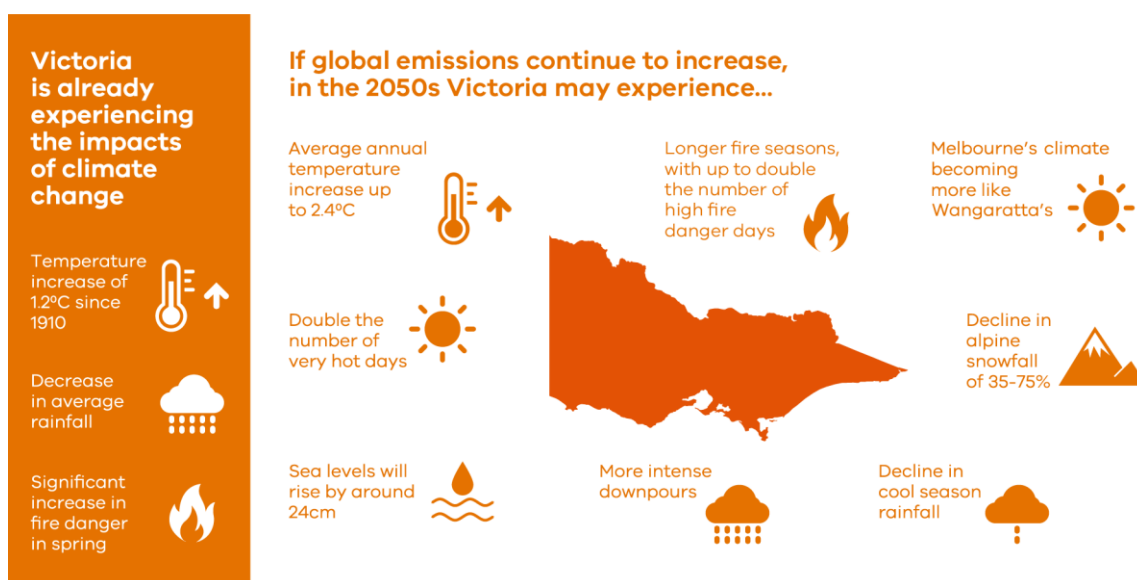
¹⁰ Porter, 2017, ‘Indigenous people and the miserable failure of Australian planning,’ *Planning Practice and Research*, Vol. 32 (5), pp.556-570, <https://researchrepository.rmit.edu.au/esploro/outputs/journalArticle/Indigenous-people-and-the-miserable-failure-of-Australian-planning/9921860536101341>

animals.¹¹ The 2022 Victorian floods were also destructive and widespread in regional areas, with 64 of Victoria's local governments impacted. The floods caused many regional towns such as Echuca to be cut off for extended periods of time, with substantial damage to farms and crops, wildlife and habitats, and public infrastructure as well as homes.

The CSIRO has projected that by mid-century, Victoria will see:

- The number of very hot days of over 40 degrees Celsius increase, and increasing more so in some regional areas like Mildura
- Longer fire seasons and 40 per cent more high fire danger days
- Sea level rise of around 24 centimetres
- More intense extreme rain events
- Less certain rainfall patterns
- Declines in snowfall in the alpine region.¹²

FIGURE 1: IMPACTS OF CLIMATE CHANGE IN VICTORIA



Source: Victorian Government, 2022.¹³

¹¹ Australian Disaster Resilience, 2023, 'Bushfires- Black Summer,' <https://knowledge.aidr.org.au/resources/black-summer-bushfires-vic-2019-20/>; Department of Energy, Environment and Climate Action, 2023, <https://www.wildlife.vic.gov.au/home/biodiversity-bushfire-response-and-recovery>

¹² CSIRO, 2021, 'Victoria's Changing Climate,' Climate Change in Australia, <https://www.climatechangeinaustralia.gov.au/en/changing-climate/state-climate-statements/victoria/>

¹³ Victorian Government, 2022, 'Climate-related Risk Disclosure Statement 2022,' <https://www.dtf.vic.gov.au/funds-programs-and-policies/victorian-government-climate-related-risk-disclosure-statement>

As is already being observed, these threats have a widespread range of impacts, not only on the native environment and biodiversity, but to the health and liveability of the people living in regional Victoria. The economic cost to Victoria of heatwaves alone has been estimated at \$87 million per year, which is expected to increase to \$179 million by 2030. The economic impacts are also larger in regional locations due to the presence of the agricultural sector.¹⁴ Sea level rise also has the potential to significantly impact on Victoria's coastal communities – affecting not only existing areas but planning for future growth. Estimates have put the potential economic impact at \$337 billion dollars in 2100 if adequate sea level rise adaptations are not put in place.¹⁵

There is an urgent need to accelerate climate-hazard resilience and adaptation planning and delivery. The risk of increased extreme weather events varies spatially due to a variety of factors and planning for mitigating these risks cannot be undertaken uniformly. This planning needs to be informed by an understanding of the compounding impacts of climate-related hazards, and the risks they pose to regional areas.

Deepening the pool of attractive jobs in regional centres

Figure 2 shows the share of jobs in regional Victoria compared to Greater Melbourne as of the 2021 Census by broad industry categories.

The continuing strength of the agriculture and mining sectors to regional Victoria is highlighted, with about 8 per cent of jobs in these sectors.

To sustain employment and economic growth in regional centres, opportunities to deepen the pool of higher value business services employment opportunities need to be developed. This will strengthen value chains, including those associated with agricultural and mining production, make the regions attractive to a wider range of workers and underpin wealth creation,

The business service sectors or, as described here, 'knowledge intensive' broad industry category includes the following sectors:

- Information Media and Telecommunications
- Financial and Insurance Services
- Rental, Hiring and Real Estate Services
- Professional, Scientific and Technical Services
- Administrative and Support Services

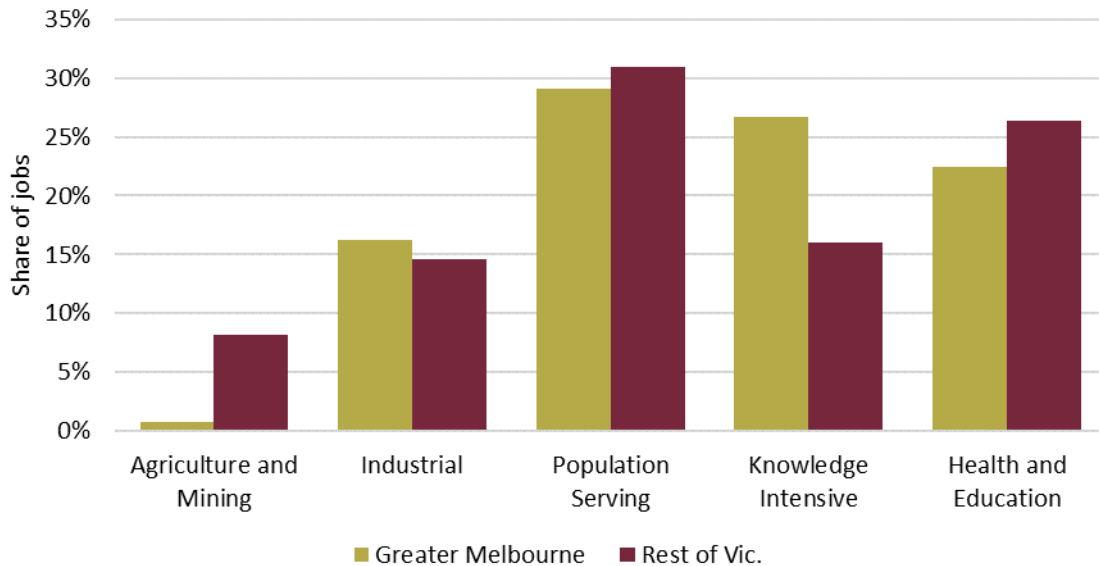
¹⁴ DELWP, 2019, 'The economic impact of heatwaves on Victoria,' https://www.climatechange.vic.gov.au/__data/assets/pdf_file/0011/413030/The-economic-impact-of-heatwaves-on-Victoria.pdf

¹⁵ Victoria Marine and Coastal Council, 2022, 'A general summary of the report Economic Impacts from Sea Level Rise and Storm Surge in Victoria, Australia, over the 21st century (Kompas, t. et al (2022)),' https://www.marineandcoastalcouncil.vic.gov.au/__data/assets/pdf_file/0036/665649/General-Summary-of-the-Kompas-Report-Economic-Impacts-from-SLR-and-SS-19072023.pdf

- Public Administration and Safety.¹⁶

The chart shows that these sectors, which are typically office based, make up a much smaller share of jobs in regional Victoria, compared to metropolitan Melbourne.

FIGURE 2: SHARE OF JOBS BY INDUSTRY CATEGORY, PLACE OF WORK, 2021 CENSUS



Source: ABS 2021 Census.

Trends over time also illustrates that ‘knowledge intensive’ jobs in the regions have grown at a slower pace than in metropolitan Melbourne, implying that Melbourne is growing its overall role in Victoria in these activities. Figure 3 shows the proportional growth in employment in each of the categories between the 2016 and 2021 Censuses.

¹⁶ Note – categorisations are based on ANZSIC classifications as follows:

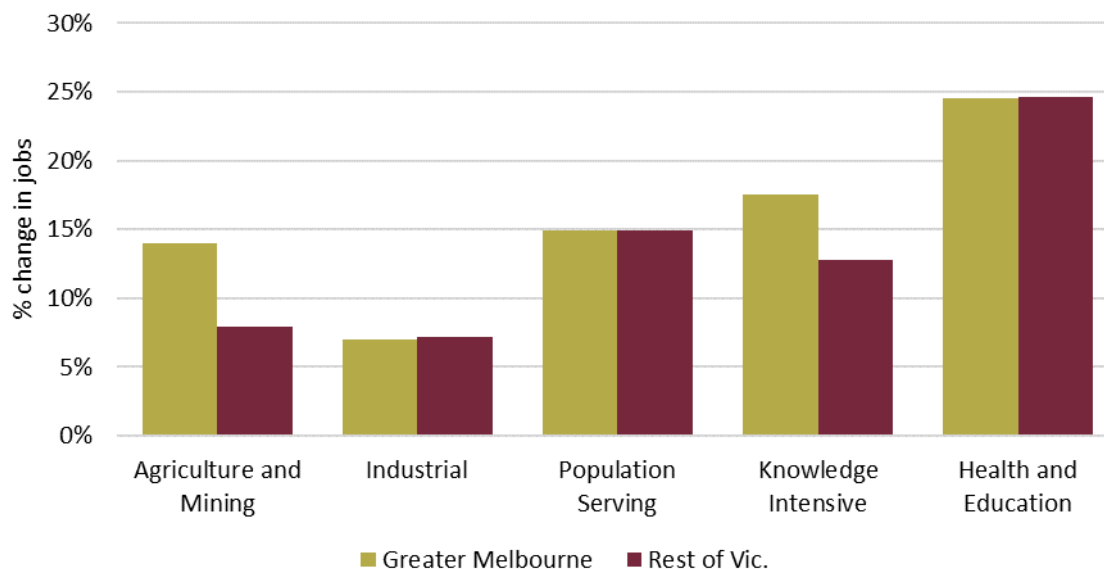
Agriculture and mining: Agriculture, Forestry and Fishing, Mining

Industrial: Manufacturing, Electricity, Gas, Water and Waste Services

Population Serving: Construction, Retail Trade, Accommodation and Food Services, Arts and Recreation Services, Other Services

Health and Education: Education and Training, Health Care and Social Assistance.

FIGURE 3: PERCENTAGE CHANGE IN JOBS BY INDUSTRY CATEGORY, PLACE OF WORK, 2016-2021 CENSUSES



Source: ABS 2021 Census.

While regional Victoria and Melbourne saw similar levels of growth in health and education and population serving jobs over this time, there is a distinct difference in the level of growth in the knowledge intensive industries. Metropolitan Melbourne saw an increase of 17.5 per cent in knowledge intensive jobs between 2016 and 2021, while for regional Victoria the increase was just under 13 per cent.

From 2016-21, health and education sectors saw the largest growth in both Greater Melbourne and regional Victoria. The Health Care and Social Assistance industry (as defined by the ABS) accounted for over 17 per cent of jobs in regional Victoria in 2021, up from around 15 per cent in 2016. While the share of jobs in the sector in Melbourne also increased over this period, the scale of the increase was slightly higher in regional Victoria. This highlights the growth and strength of regional health hubs in the major regional cities, but also likely reflects the increasing demands from an ageing population in regional areas.

These trends are reflective of broader shifts affecting the economy, including the ageing of the population and the gradual shift towards service-based sectors. However, to be able to sustain employment and economic activity in the regions, centres should seek to deepen their ‘knowledge’ intensity and value chain independence. Actions like those which sought to develop an insurance industry cluster in Geelong will need to be selectively repeated in other regional centres.

Competing land uses in the rural economy

Planning in rural and regional areas needs to account for the challenge of competing land uses.

The popularity of large lot rural (non-farm) living, structural shifts in regional economies and investment patterns, the energy transition, climate change impacts and other policy factors, have meant that traditional agricultural land uses can be ‘in competition’ with other land uses. Uses that can ‘outbid’

farming for land risk diminishing the agricultural economy, including reducing food production capability. Compounded by climate change, such risks to rural sustainability are only likely to increase.¹⁷

The increased popularity of rural and peri-urban living in recent decades (further stimulated by the COVID-19 pandemic) has seen areas with fertile agricultural land converted for housing – as observed in Melbourne and its surrounds.¹⁸ One estimate suggests that rural subdivisions could halve peri-urban food production capacity by 2050, resulting in just 18 per cent of food needs being met.¹⁹ Competing uses and the fragmentation of rural land can drive up land prices, further impacting the commercial viability of agricultural uses.²⁰ Despite the issue being recognised in strategic plans and policies, stronger mechanisms to retain the productive capacity of agricultural land in rural and regional areas are likely to be needed.

Land use policies for regional and rural locations will also be impacted by the wider transition to net zero. Many regional areas will be affected economically by the replacement of coal-fired power stations with renewable energy. Six Renewable Energy Zones (REZs) have been established across regional Victoria – the Central North, Gippsland, Murray River, Ovens Murray, South Victoria, and Western Victoria. VicGrid is currently at the very early stages of developing a State-wide first Victorian Transmission Plan by mid-2025. It will identify ‘Renewable Energy Zone Priority Areas,’ for the clustering of transmission, wind/solar farms and storage.²¹ The Gippsland and Portland proposed offshore wind farms are by far the biggest proposed power generator replacement source of renewable energy for the Latrobe Valley’s coal-fired power stations.

¹⁷ Cordell, Jacobs and Wynne, 2016, ‘Urban sprawl is threatening Sydney’s foodbowl,’ *The Conversation*, 25 February 2016, <https://theconversation.com/urban-sprawl-is-threatening-sydneys-foodbowl-55156#:~:text=Total%20food%20production%20could%20drop,demand%20to%20a%20mere%206%25>.

¹⁸ El Wazan and Edirisinghe, 2022, ‘Measuring agricultural loss and the impact of differing dwelling types: A case study Melbourne,’ IOP Conference Series: Earth and Environmental Science, <https://iopscience.iop.org/article/10.1088/1755-1315/1101/5/052013/pdf>

¹⁹ RMIT, 2020, ‘Urban fringe critical to future food supply,’ <https://iopscience.iop.org/article/10.1088/1755-1315/1101/5/052013/pdf>

²⁰ RMCG, 2015, ‘Rural Policy Review Final Report,’ prepared for NSW Department of Planning and Environment, December 2015.

²¹ Victorian Government, 2023, ‘Developing the first Victorian Transmission Plan,’ <https://engage.vic.gov.au/victransmissionplan>

FIGURE 4: VICTORIAN RENEWABLE ENERGY ZONES (REZ)



Source: Department of Energy, Environment and Climate Action, 2023.²²

The intention is that these locations will allow for renewables projects to be developed efficiently and contribute to increased energy affordability, with reduced risks for investors and enhanced economic development in the regions, while also addressing climate change.²³

The designation of the REZs needs to be accounted for in future land use planning in regional Victoria. The potential concentration of renewables projects in these precincts will have both long and short term impacts. In the short term, tensions between renewable energy projects and existing communities are apparent. These need careful management and recognition in regional planning.

The picture for investment attraction in regional areas will potentially change, with renewable energy projects having the potential to catalyse other development and investment into particular areas, therefore requiring new or different land uses with different planning responses. The need for new workers in renewable energy will also potentially shift the economic diversity of the regional communities nearby, with flow on effects for housing and infrastructure provision. Accommodating this critical energy transformation, while maintaining strong agricultural economies, is yet another challenge.

²² Department of Energy, Environment and Climate Action, 2023, 'Renewable energy zones,' <https://www.energy.vic.gov.au/renewable-energy/renewable-energy-zones>

²³ DELWP, 2021, 'Victorian Renewable Energy Zone Development Plan Directions Paper,' February 2021, https://www.energy.vic.gov.au/__data/assets/pdf_file/0028/580618/Victorian-Renewable-energy-zones-development-plan-directions-paper.pdf

The development of REZ priority areas needs to significantly lift the standard of community consultation, given the strong resistance observed from farming communities to proposals to date. Investment will also be needed to fully fund proactive regional impact and readiness studies for priority REZ areas, to ensure that rural communities in Victoria are prepared for the impacts.²⁴

Fragmentation and coordination challenges in regional greenfield development areas

Many greenfield development areas in regional Victoria are hampered by a lack of scale and consistent development momentum. The issues that arise include:

- Difficulties in sequencing land for release in a coordinated fashion, because some areas otherwise zoned and ready for development are being withheld (e.g. owners are not ready to sell or are content using the land for another use), or ownership is fragmented (including sometimes in restrictive rural and low density residential zones) and coordination of owners is difficult
- An inability to ‘forward fund’ development infrastructure which is critical to support efficient and development (e.g. smaller scale developers or landowners are unwilling to finance significant drainage or roadworks required to open a development front; or councils are unwilling to borrow or commit to Development Contribution Plans that imply financial obligations when receipts linked to future development may be uncertain or ‘bumpy’).

The barrier of upfront infrastructure financing (and implications for development feasibility) is quite typical in small scale development areas across Victoria but can also be manifest in regional cities with significant new development fronts such as Geelong and Ballarat.

It means that ‘first mover’ developers can be deterred from undertaking housing development which is otherwise required to meet housing needs. In some contexts councils themselves are undertaking small developments to fill the market gaps, recognising that there is unfulfilled demand for housing.

Lack of infill and diverse housing

The Government’s target for 70 per cent of new housing in regional Victoria to be in ‘infill’ or the established parts of towns and cities is a very ambitious one.

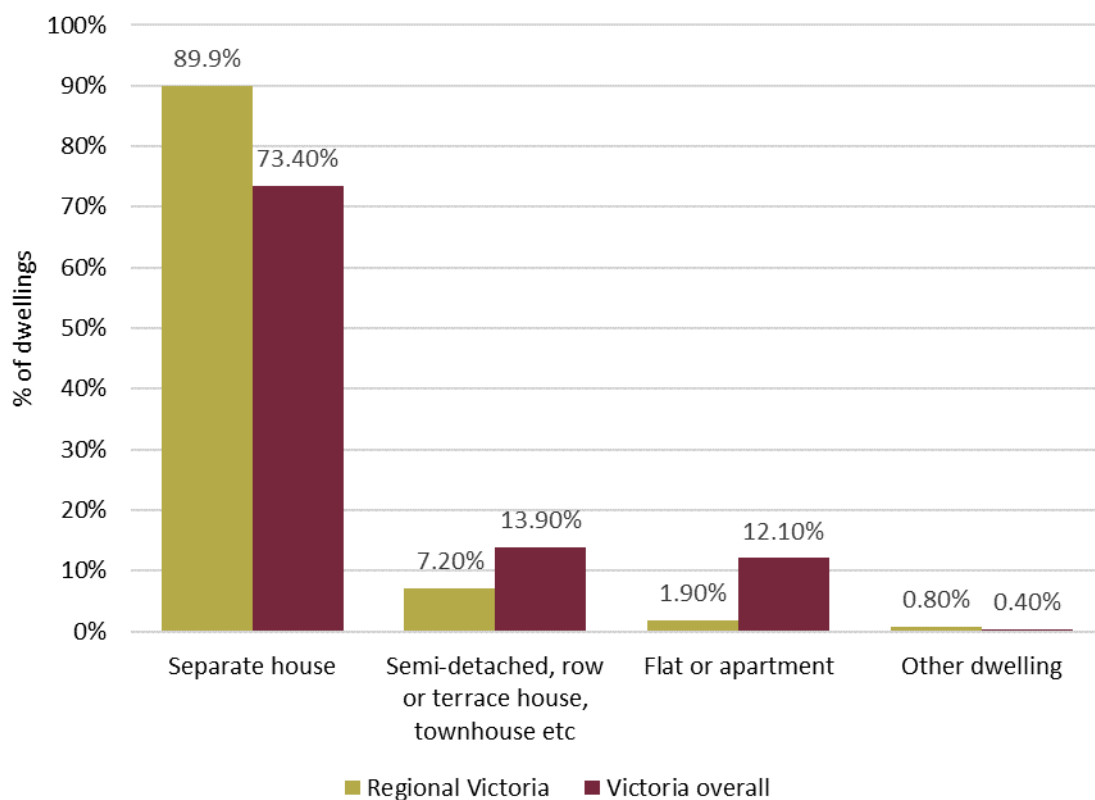
By definition, infill housing is mostly apartments or sometimes ‘low to medium’ density forms (like semi-detached or townhouses). Overwhelmingly however, new housing in regional and rural Victoria, even in mature regional cities such as Ballarat, Bendigo and Geelong is detached housing, mostly on the fringes of township or urban areas.

Figure 5 shows that only 0.2 per cent of dwellings in regional Victoria are classified as apartments and only 7.2 per cent are in low to medium density forms, compared to 12.1 per cent and 13.8 per cent respectively for Victoria as a whole (both categories dominated by metropolitan Melbourne). Significantly shifting preferences towards non-detached housing in regional Victoria, or more relevantly,

²⁴ See for example, Wellington Shire Council, 2023, ‘Wellington Renewable Energy Impact & Readiness Study,’ Final Report, January 2023, <https://wazfiles.blob.core.windows.net/pubwebcontent/Publications/Wellington%20Renewable%20Energy%20Impact%20&%20Readiness%20Study.pdf>

shifting market realities to be more favourable to non-detached housing represents a significant challenge.

FIGURE 5: TYPE OF DWELLING, REGIONAL VICTORIA AND VICTORIA, 2021 CENSUS



Source: ABS, Quickstats, <https://www.abs.gov.au/census/find-census-data/quickstats/2021/2RVIC>

Fundamentally, infill development which implies low to medium density dwellings, is riskier in regional Victoria. The per unit price of detached housing is comparable to what it would cost to construct flats or townhouses so the available margins to developers are typically modest. Developers favour the form they know will reliably sell, which is detached dwellings. This is self-reinforcing because it also means there is generally a shallow local industry capacity for more diverse non-traditional housing types.

In the central parts of the major regional cities, such as Ballarat, Bendigo and particularly Geelong which are amenity and service rich, there are some tentative signs of increased infill housing development. But this type of housing is new to communities and can meet resistance, or in some cases councils themselves may be under-prepared to assess development proposals having regard to context issues and their general lack of relevant experience.

The demographics of regional Victoria are shifting with generally older and smaller households. A shortage of housing for hospitality workers and seasonal workers is often reported. There is an apparent latent demand for alternative, more compact housing suitable for downsizers and entry-level households but the market conditions, and potentially planning systems, are not currently conducive to widespread infill development in regional towns.

Absence of catalyst state infrastructure

With the passing of time since the preparation of the Regional Growth Plans, and a changed development context (including the acceleration of growth in regional areas during the Covid period, and increased hazard risk from bushfire and floods), new development areas in regional Victoria have proliferated. This is particularly the case in 'peri-urban' municipalities adjacent to metropolitan Melbourne, and in the major regional cities.

The growth has often been faster than anticipated by the Regional Growth Plans and official population forecasts. As new growth areas have been identified so have calls and demands for key items of state infrastructure such as arterial roads, public transport upgrades and new social infrastructure such as schools. Pressure on sensitive environments has increased.

The funding and investment challenge for State Government to provide infrastructure across multiple fronts has compounded. Sometimes infrastructure provision has 'lagged' such that new development areas have not been able to develop as intended.

Issues in relation to state infrastructure include:

- Mismatch in timing to catalyse greenfield precinct development, meaning development is delayed or insufficiently serviced.
- A perception of excessive infrastructure standards which unnecessarily adds to costs, and delays provision.
- Water authority investment programming that is not aligned with planning and sequencing for new growth areas.

In addition, the development market in regional and rural areas is different to that of urban areas, which makes the financial viability of the provision of infrastructure alongside development more challenging, including generally lower profit margins and higher risks. If planned well, infrastructure can be the catalyst to unlocking the housing growth needed to support the economic aims of regional and rural areas.

The housing crisis spreads – more social, affordable and worker housing is required in regional Victoria

Until the COVID-19 pandemic the availability and affordability of housing in regional Victoria was not a particular area of policy focus or wider interest. The increased attractiveness of non-metropolitan areas during and immediately after the pandemic disrupted often shallow housing markets and a new regional dimension to the affordability crisis emerged.

A spike in internal migration to regional areas increased demand for housing, the price increase encouraged some investors with rental properties to sell, while others swapped rental dwellings into short term accommodation. Some city-based owners of properties either moved renters on and moved in or chose to occupy their holiday homes for the pandemic duration, avoiding the worst of the city lockdowns. In what were often relatively small housing markets in most areas particularly affected, and used to gradual change, these were seismic impacts. House prices and rents skyrocketed and rental vacancy rates shrank.

At the same time, as regional destinations became increasingly attractive, hospitality, essential or seasonal workers couldn't find housing (thereby stunting local economies), long-time residents were 'priced out' and unable to transition in their communities, and housing stress increased significantly. In

June 2023, 54,300 of the applicants waiting for social housing on the Government's Waiting List register, were seeking housing in regional Victoria. This is over 30 per cent of the Victoria-wide total (when the population in regional Victoria is about 27.5 per cent of the Victorian total).²⁵

While the Victorian Government's Big Housing Build is adding social housing capacity in parts of regional Victoria, it is not enough to overcome years of under investment. A lack of housing has been noted by Councils as one of the primary limitations for businesses in regional areas. Worker housing is therefore also required in many areas and towns to support regional economies.

Infrastructure and support for a patchwork of development contexts

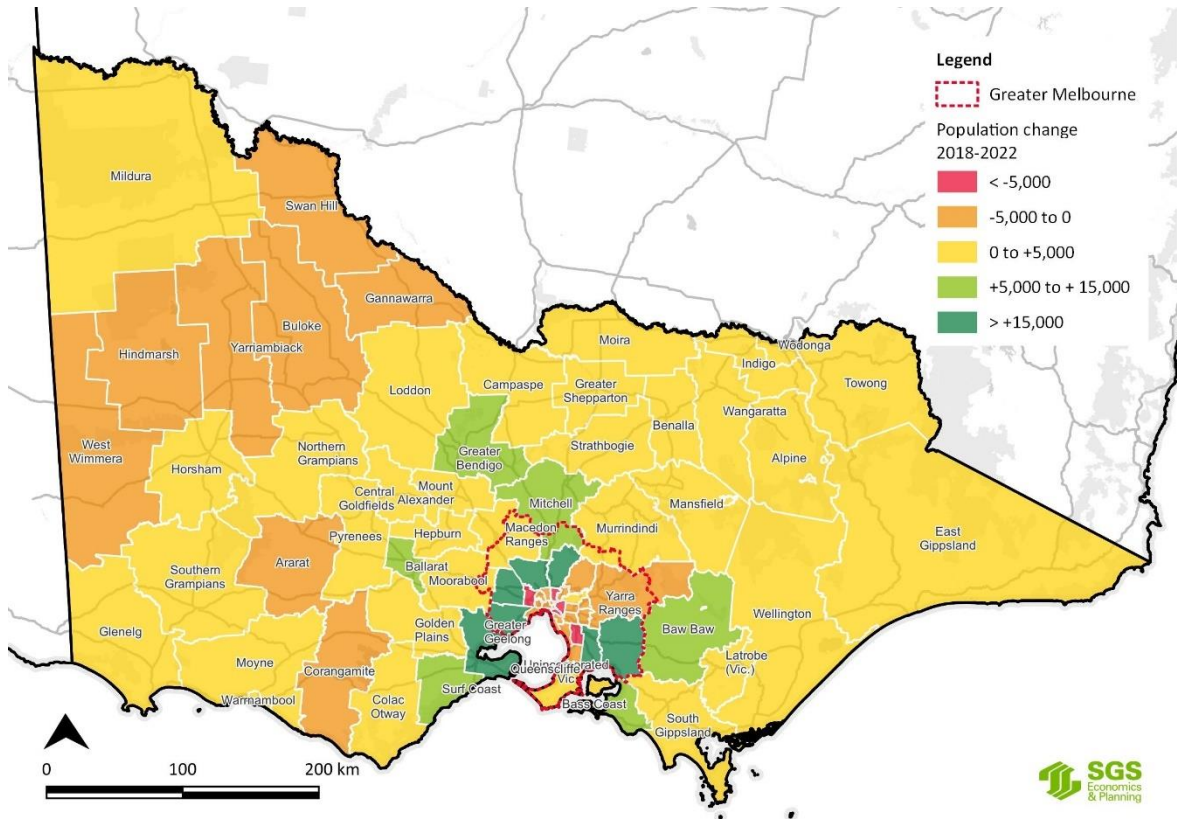
Increased population growth brings with it a need to plan for future infrastructure. However, notwithstanding the pandemic era growth, some areas are static or declining and this brings with it a need for different thinking about infrastructure or services management, including new ways of delivering services (see recent population change in Figure 6, which particularly highlights the strong growth in peri-urban areas and major regional cities). Regional disparities in economic performance and disadvantage also require particular attention.

Issues in infrastructure planning therefore include:

- **Spatial disadvantage** – understanding the incidence of disadvantage and where community infrastructure and services play a critical support role.
- **Current state of assets** – where ageing or not fit for purpose infrastructure requires significant maintenance, renewal, and or redevelopment including in areas that might be suffering population declines with implications for current and future capital budgets.
- **'Landlocked' infrastructure** – in growth contexts where existing infrastructure is unable to expand either because no additional land is available (being already developed) or where it might be available but is prohibitively expensive to purchase.
- **Coordinated delivery of infrastructure** – where integrating and coordinating state and local infrastructure provision to maximise the use of buildings and manage costs will be critical as the population increases, but requiring both local and state government to be open to alternative delivery pathways, integration of models, flexibility, and in some cases, increased risk.

²⁵ Housing Vic, Data on VHR location preferences by preferred waiting list area, <https://www.homes.vic.gov.au/applications-victorian-housing-register-vhr>

FIGURE 6: REGIONAL VICTORIA GROWTH AND DECLINE, 2018-2022



Source: ABS Regional Population, 2023.²⁶

A key issue is the absence of state adopted community infrastructure benchmarks or provision standards to articulate what level of community infrastructure is required. The current benchmarks often referred to are only applicable in growth areas, and given they were developed in 2008, have not kept pace with changes in service and community needs. The regional context of dispersed settlements, and the patchwork of growth and decline, means bespoke regional guidance is required.

²⁶ ABS, 2023, *Regional Population, 2021-22 financial year*, Population estimates by LGA, 2001-2022 in Geopackage, <https://www.abs.gov.au/statistics/people/population/regional-population/2021-22#data-downloads>

3. The five pillars of regional and rural planning

3.1 Overview

Strategic planning for future growth is essential for regional Victoria, to not only identify how land will be used and developed, but to achieve broader economic, social and environmental objectives. The best strategic planning is based on rigorous analysis, an understanding of the costs and benefits of different settlement futures, and clear spatial and policy directions supported by community exposure and engagement. Regional-scale strategic planning should be based on a compelling overall long term vision for the future structure of Victoria and within its constituent regions.

Effective strategic planning in regional and rural areas informs trade-offs between different objectives; identifies the broad extent of the urban or settlement areas; identifies the relative economic and service roles of regional cities, towns and smaller settlement areas; provides clarity on the future and use of agricultural and rural areas which underpin the export wealth of regional economies; identifies where other major industrial and employment lands are to be located, supported by transport connections; identifies where new housing is to be provided consistent with the desired future settlement structure, while also ensuring that support infrastructure and services are efficiently provided; and how governance and delivery systems will support place-based outcomes. Strategic regional planning is crucial to creating a 'line of sight' for assessing the merit of development proposals and in translating objectives into local planning controls.

Five pillars of regional and rural planning

The key pillars to support the achievement of the settlement and land use vision and inform future planning for regional and rural Victoria are summarised as follows.

1.	Respecting and integrating Country and landscape
2.	Strong centres and employment clusters
3.	Enhancing rural and agricultural economic activities
4.	Housing choice, affordability, and sustainable neighbourhoods
5.	Infrastructure for growing and resilient communities

The four key elements in each of the Regional Growth Plans already address aspects of these five pillars. The focus in the suggested directions under each of the pillars that follow is on addressing new challenges with new ideas and initiatives, to provide a better, more contemporary and relevant regional and rural strategic planning framework.

3.2 Respecting and integrating Country and landscape

Development in regional areas and rural economic activity should respect and minimise impacts on biodiversity, precious landscapes, waterways and natural resource catchments. Vastly improved approaches to environmental sustainability are required - particularly in the face of climate change which existentially threatens ecosystems and living environments. Sensitively planning *with* and *for* Country – respecting the Aboriginal approach to stewardship and care of soils, plants and water over thousands of years – will be at the heart of new approaches.

New directions for regional and rural planning

Commit to Planning with Country.

Commit to understanding First Nations cultural and land management practices, and how these can be at the heart of contemporary rural landscape management and land use planning, through partnerships and the development of shared knowledge with the Traditional Owners.

Planning with Country

Aboriginal peoples have looked after the Australian landscape for thousands of years. Future rural and urban land use planning in regional and rural Victoria needs to plan both with and for Country, as understood by Traditional Owners and Custodians.

The NSW Government's Planning with Country Framework is an example of a step towards ensuring that the built environment is developed with a Country-centred approach guided by Aboriginal people, including through reducing the impacts of natural events, valuing and respecting Aboriginal cultural knowledge, and that sensitive sites are protected by Aboriginal people having access to their homelands and cultural practices.²⁷

Planning at its heart should seek to deliver positive outcomes for Country and the community. However, the planning system does not allow for the inclusion of Indigenous people within the system as an equal and valued partner, with the traditional knowledge to inform how we care for and plan for Country. We need to embed a practice of working with First Nations people, to value and respect their cultural knowledge and to engage with them in developing regional planning strategies.

²⁷ NSW Government, 2023, 'Connecting with Country,' <https://www.planning.nsw.gov.au/government-architect-nsw/policies-and-frameworks/connecting-with-country#:~:text=The%20NSW%20Government%20is%20committed,built%20environment%20projects%20in%20NSW>.

Commit to bushfire and flood mapping to identify areas unsuited to development or intensification.

The State Government needs to lead the mapping for both bushfire and flood risk based on the best available data and science, to update Planning Schemes. This is crucial to informing the extent of future regional townships and settlements, and building and planning controls. The mapping would consider all relevant aspects relevant to bushfire and flood risk, including through consultation with local government and water authorities. The mapping should be kept up to date, in real time. While comprehensive mapping will take time (to be ultimately included in an up-to-date central data base) the new regional strategies should include sufficient bushfire and flood mapping to identify areas of hazard, and to inform residential and other land use planning (via corresponding timely updates to planning schemes).

Council by council or precinct by precinct analysis is highly inefficient and adds costs and risks to the development process. The 2009 Victorian Bushfires Royal Commission's recommendation 37 called for the State identify a central point of responsibility for and expertise in mapping bushfire risk²⁸. The October 2022 Echuca floods are the most recent reminder of the stress, damage and trauma that climate events can bring, and how important it is to prohibit future settlement in areas that will be increasingly flood prone. A definitive but ongoing State led effort is required to provide the information on potential hazards on which such directions can be made.

Commit to universal minimum floor level standards for sea level rise to be applied to all coastal LGAs.

As sea level rise does not distinguish between local government boundaries, adoption of a universal minimum floor level standard for the State will be important to effectively plan and future-proof communities in the face of climate change.

Confirm growth boundaries and areas to be protected from future development.

The hazard mapping, biodiversity, and cultural heritage considerations (along with the mapping of agricultural land discussed under Pillar 3) should provide the basis for the establishment of growth boundaries for the main cities and towns in regional Victoria. While this should account for realistic urban expansion prospects it is consistent with the ambition for a greater share of (infill) development in established areas as well as greater respect for landscape and urban-rural interfaces.

Establish and maintain networks of 'green' and 'blue' infrastructure within new and established areas, through tree canopy requirements and reforms to open space contributions.

Meaningful ways of enhancing 'green' infrastructure in both private and public areas for climate resilience and amenity need to be developed. This should include (in private areas) giving statutory effect to tree canopy requirements, for example mandating a minimum of say 30 per cent tree canopy

²⁸ <http://royalcommission.vic.gov.au/Commission-Reports/Final-Report/Volume-2/Chapters/Planning-and-Building.html>

coverage during precinct development (which could be supported by provision of access to funding for implementation partners to plant, replace and maintain tree canopy trees).²⁹

Green and blue infrastructure is critical for climate resilience

Urban green and blue infrastructure is all of the vegetation and water that provides environmental, economic and social benefits such as clean air and water, climate regulation, food provision, erosion control and places for recreation. It includes trees and vegetation, along with built infrastructure such as green roofs and walls, and water elements such as rivers, lakes, swales, wetlands and water treatment facilities. Access to blue and green infrastructure offers physical and mental health and wellbeing benefits along with critical ecological services. A thriving connected network of natural spaces and corridors across the new and existing urban areas is critical to support biodiversity and to access benefits of urban cooling and greening. Similarly, waterways and waterbodies play a critical ecological role and well-planned water sensitive urban design can help mitigate the impacts of flooding events.

3.3 Strong centres and employment clusters

The role and function of regional cities and towns vary significantly. Regional cities have grown strongly as service hubs. Small towns in remote areas still play a vital local service role. Other towns may be relatively static or even declining. This network of cities and towns provides the 'structure' for regional economies and needs to be understood and supported through regional planning. Services employment is best clustered and located in centres to maximise accessibility to residents and workers, and where they can benefit from 'agglomeration' (that is from business competition and collaboration). Industrial and employment land areas need to be provided for the trades, urban services, storage, manufacturing, and freight functions which are still crucial in supporting regional and rural economic activities.

New directions for regional and rural planning

Identify a regional cities and towns hierarchy to support their different roles and functions.

The Plan for Victoria and regional strategies provide the opportunity to think deeply about the different roles and functions of regional cities and towns. A regional centres and settlement hierarchy should be developed to guide services and public investment to maximise access and economic development while using community resources in the most efficient and effective way.

²⁹ <https://www.infrastructurevictoria.com.au/2021/05/05/getting-to-the-root-of-victorias-tree-canopy-struggle/>

A multi-pronged program of support for priority regional centres might include deepening planning partnerships with councils and providing financial support to meet development objectives, providing transport access and other public investments, and relocating or directing government jobs to priority centres.

The opportunities for efficient smaller town growth to complement regional city expansion needs to also be accommodated through a coherent settlement hierarchy. In a way this is analogous to the city 'infill' challenge in that existing infrastructure and services may be available in these small towns which can support lower cost development.

Prepare a Regional Industrial and Commercial Land Use Plan which includes clear monitoring and planning and infrastructure investment guidance for local, regionally significant and state significant industrial areas.

The Melbourne Industrial and Commercial Land Use Plan (MICLUP) identifies State Significant, Regionally Significant and local industrial and commercial land and provides planning directions and guidance for industrial and commercial precincts, including for local government. Regional clusters of industrial activity, particularly those near major regional cities or with good road access to metropolitan Melbourne, are becoming increasingly important to some regional economies. They provide opportunities for local enterprise and value adding and offer lower cost locations than in metropolitan Melbourne.

A Regional Victoria Industrial and Commercial Land Use Plan (RICLUP) should be prepared to accompany or be incorporated into the regional land use strategies. The RICLUP would identify the industry character or economic role of state and regionally significant precincts in regional Victoria and provide guidance for the planning and management of the precincts including infrastructure priorities. The RICLUP should be updated on a five yearly basis and be supported by the availability of real time industrial land development and consumption data.

Local industrial land and supporting uses should be retained unless their loss can be absolutely justified by evidence and analysis.

3.4 Enhancing rural and agricultural economic activities

The less settled, rural areas of regional Victoria need special attention in regional planning. Areas that contain and sustain high value agricultural production should be protected from encroaching and conflicting land uses, while other primary production areas should also be subject to appropriate planning controls. Renewable energy zones should be explicitly accommodated in a way that enables co-existence wherever possible with other valued rural economic activities. Climate change impacts should also be recognised.

New directions for regional and rural planning

Establish clearer and better mapping of areas for agricultural protection taking account of a changing climate, land capability and strategic attributes.

The changing environmental and economic context for agricultural production needs to be better understood through enhanced mapping that can inform land use development and controls, as well as where residential intensification should be avoided. This would involve coordinated and criteria based strategic mapping accounting for the changing climate, land capability and strategic attributes which identifies areas to be preserved and retained for agricultural production.

Provide a planning framework and policy tools to support the sustainability of agriculture and rural land uses.

The increasing complexity of the rural economy and rural land use mix needs to be recognised in regional planning, including accounting for environmental and natural resource values as well as the Renewable Energy Zones for the critical transition to sustainable energy generation.

Some of these issues and appropriate policy responses have been identified in previous reports and reviews of rural policy, including for the MAV and for the NSW Government.³⁰

Appropriate planning tools need to be available to:

- Support regional approaches to planning for and resolving issues affecting agricultural activities.
- Support local governments to identify and protect strategically significant agricultural land for long-term food production needs.
- Promote the expansion of the agricultural supply chain in rural and regional areas, focusing on the value-add processing of raw agricultural products and materials.

³⁰ RMCG, 2015, 'Rural Policy Review Final Report,' prepared for NSW Department of Planning and Environment, December 2015; RMCG, 2008, 'Rural Planning Report,' prepared for Municipal Association of Victoria, October 2008.

- Support the ongoing innovation, adaptation and investment in agriculture to increase sustainability and diversify based on production and market needs.
- Accommodate Renewable Energy Zones by containing these to certain areas based on strategic land use analysis (that will occur through the Victorian Transmission Investment Framework and upcoming Victorian Transmission Plan).
- Restrict or prohibit subdivision for rural living or residential intensification that undermines valued and valuable agricultural and farm activities including appropriate land use zoning that clearly distinguishes rural and agricultural economic activities from principally residential uses.
- Review/update legacy provisions in planning schemes which allow for land fragmentation and land use conflicts (such as existing use provisions).
- Generally, through strategic and statutory mechanisms, ensure that land use conflict and incompatible use and development does not undermine ongoing agricultural production.

3.5 Housing choice, affordability, and sustainable neighbourhoods

The Covid pandemic elevated the stresses in regional housing markets. Development pressures accelerated in peri-urban areas and regional cities like Geelong and Ballarat, with environmental management, sequencing and infrastructure coordination issues akin to Melbourne's growth areas arising. Elsewhere in some smaller cities and towns spikes in development activity put pressure on land use planning systems, infrastructure and local council resources. The affordability crisis spread to the regions.

State-wide regionally relevant policy guidance for residential development is required. This will assist planning for development in heritage contexts, addressing contamination, considering and managing bushfire risks, providing buffers to agricultural activity, and undertaking housing and built form analysis. Measures to encourage and accommodate key worker, social and affordable housing need to be accommodated. Infill housing where realistic should be a focus. Planning for housing growth needs to balance a range of objectives: delivering greater housing choice, improving affordability outcomes, and creating sustainable neighbourhoods. More sophisticated and design conscious approaches are required that demonstrate how additional development can address changing needs and household means, while leveraging higher amenity outcomes.

New directions for regional and rural planning

Nominate aspirational housing capacity targets by municipality to guide local planning, to demonstrate achievement of the settlement vision.

Regional strategies should identify where future housing is expected through the inclusion of clear 'housing capacity targets.' These are not housing targets for which councils are responsible for delivery; they are the amount of housing that planning controls must demonstrate they can accommodate. The municipality-by-municipality housing capacity targets would be established by analysis and reference to:

- The overall settlement vision for Victoria having regard to the role of regional cities and towns including their:
 - Employment and services accessibility.
 - Infrastructure capacity.
 - Future supportable land economics/development feasibility.
- A realistic split for future housing development between new growth or greenfield areas and infill development (likely focused in regional cities and higher amenity locations).

Engagement with councils to establish the targets would be expected.

Detailed guidelines for how to convert capacity targets to appropriate development controls will be necessary to support local planning. Planning for housing capacity should also identify how and where social and affordable housing stock will be provided, including mechanisms for delivery such as affordable housing contributions (alongside expanded federal and state government funding and provision). Providing greater housing diversity that responds to changing demographics and reduced capacity for home ownership means more consideration needs to be given to compact housing forms, but still suited to children, people with disabilities and ageing households.

Identify major residential growth precincts and provide clear principles for growth planning.

The designation of growth areas in the Regional Growth Plans was not detailed enough, leading to the selection of areas with significant development challenges and/or not suited to housing growth. The identification of major growth areas requires more considered investigation of likely physical constraints, such as flooding, drainage, bushfire, native vegetation, and topography. Discovering issues and barriers to development once expectations have been raised by designations for growth adds to costs and uncertainties. The designation of growth areas should be aligned with the housing capacity targets.

Not all areas for future development will be able to be identified in regional strategies. Clear principles for the identification of smaller scale growth areas will be required, addressing housing needs, appropriate densities, infrastructure availability, built and cultural heritage contexts, contamination, considering and managing bushfire risks, sustainability and providing buffers to agricultural activity.

Prepare regionally relevant policy guidance for sustainable neighbourhood planning and development.

Planning for growth areas must consider a suite of complex issues over a lengthy timeframe, and councils often have limited resources to do so. Different and inconsistent council level approaches to planning for residential development have emerged, notwithstanding the available state level policy guidance.

Clear state-based regionally relevant guidance is required. This should identify how to undertake residential demand and capacity analysis, as well as incorporate best practice neighbourhood planning based on, for example, explicit housing diversity, social and affordable housing, open space, community infrastructure, active transport, and net zero carbon targets. The difference from past approaches is that these outcomes should be explicit and measurable.

Guidance should also cover how to use residential zones and other development controls to achieve desired outcomes in regional contexts. Other regional challenges often encountered in regional areas, such as the use of Native Vegetation Offsets and Public Acquisition Overlays need also be addressed.

Guidance should also be included on engaging with state government and local communities.

Regionally specific PSP guidelines may be a product of this direction.

3.6 Infrastructure for growing and resilient communities

Accommodating growth and creating new housing requires investment in both physical development and local community infrastructure, delivered at the right time, to support resilient communities.

At a Victoria-wide level regional rail connections and major freeways reinforce the desired overall settlement structure. For major regional cities faster connections to the Melbourne skills, labour and economic activities pool are a priority. Within regions local public transport, arterial roads and traffic works are required to unlock housing potential in new development areas. Effective transport planning, and the incentives and penalties 'in the system' also drive sustainable changes in travel behaviour and support the transition to less polluting modes such as public transport and electric vehicles. Other state infrastructure such as schools and health facilities should accompany development in a timely fashion.

Community infrastructure is the collective spaces and programs through which people socialise, learn, recreate, create, and celebrate culture. Councils in regional areas need the tools to plan for and fund new or upgraded infrastructure in a timely fashion, and to maintain infrastructure and services in small townships and dispersed settlements or where communities are experiencing social and economic disadvantage.

New directions for regional and rural planning

Align the State Infrastructure Strategy with the regional land use strategies.

Infrastructure Victoria produces a 30-year infrastructure strategy which is reviewed every 3 to 5 years and makes recommendations to the Victorian Government about infrastructure. The Government should demonstrate that its infrastructure priorities are aligned with the settlement and development directions included in the Plan for Victoria and region by region strategies.

The state infrastructure plan should support, as a minimum:

- The achievement of the roles and functions for regional cities and towns identified in the settlement hierarchy.
- Nominated major growth area development.
- The growth and development of identified state and regionally significant industrial and employment areas.
- The growth and development of rural and agricultural industries.

The plan would provide firmer commitments to the timing and funding of State-delivered infrastructure (arterial roads, drainage, schools, open space) for significant residential development.

Commit to development of infrastructure benchmarks and guidelines as a baseline for local planning.

The State Government needs to actively support councils to develop robust community infrastructure plans. To support councils the State should:

- Prepare community infrastructure provision benchmarks, including for open space, able to be adapted for individual communities.
- Community infrastructure guidelines for the local use of the benchmarks including identifying and supporting future partnership and funding opportunities.

For councils in regional areas with dispersed settlements, and sometimes slowing or declining populations in some areas, there is a need for innovations in infrastructure delivery models. The guidelines should include advice on managing infrastructure in these contexts.

Establish state guidance for open space contributions.

Currently there is no State Government guidance for the quantity of open space required for growing communities. Access to quality open space is critical in supporting wellbeing. In order to maintain and or improve access to open space the State Government needs to provide an open space provisions standard or ratio, such as a 30sqm per capita or alternative. An appropriate standard will support councils in undertaking adequate open space asset management planning as well as a basis for applying effective open space development contributions.

4. Plan delivery and system efficiency

4.1 Overview

An effective plan or framework for delivery of a Plan for Melbourne and regional plans could be said to be missing. Furthermore, the planning system as a whole – including its ability to deliver the aims of metropolitan and regional plans and other strategies and policies, and the expectations of the development industry and communities – needs review and reform. The Housing Statement has not addressed the fundamental challenges confronting the system. This constrains prospects for achieving its ambitious housing supply aims, let alone achieving a liveable, productive and sustainable regions.

A reform agenda to enhance plan delivery and establish a responsive system can be identified in four key areas, as follows:

1. **Governance** – how can responsibilities for implementing planning aims and strategies be allocated and strengthened?
2. **Regulation** – how can the system to regulate land use and development be improved in line with metropolitan, regional and place planning aims?
3. **Infrastructure Funding** – are the means to raise funds for infrastructure to support planning aims ‘fit for purpose’?
4. **Resources** – what needs to change to ensure effective implementation and administration of the system?

Each of these is considered below, with a discussion of challenges and issues followed by directions for reform.

4.2 Governance arrangements

Fragmented responsibilities

Responsibility for planning is currently shared between local and state government, and with an array of departments and authorities contributing to the process (see Appendix 1). Many aspects of this structure reflect genuine and appropriate divisions of responsibility and incorporate appropriate checks and balances.

However, there are also signs of unclear or split responsibilities, notably in the division of planning responsibilities between the Department of Transport and Planning, Victorian Planning Authority, and other state government bodies. This may lead to silo-isation and reduce the extent to which any single department or agency is taking overall responsibility for regional and rural planning.

Poor communication between state and local government

The fragmented authority at state level sits alongside problems with the relationship between state and local government that have contributed to difficulties in the operation of the planning system. Local councils are charged with the administration of a system over which they have relatively little control;

while the system gatekeepers and those responsible for system design at state government level have limited experience of the operational practicalities of using the system.

There is also a lack of clarity regarding the relative roles of state and local government decision-making. Some matters will genuinely be of state significance, but the current arrangements mean this distinction can be drawn on an ad hoc basis (as with Ministerial call-ins) or through arbitrary arrangements that do not necessarily reflect genuine significance (as with the array of special-purpose streams discussed in Appendix 1, including the recently added cl 53.22 – Significant Economic Development and cl 53.23 – Significant Residential Development With Affordable Housing).

A need for a strengthened regional planning system

On the significant matters in regions, such as the development of regional cities and their relationship to hinterland areas, managing conflicts which compromise rural and agricultural production, and priorities for major state infrastructure investment to catalyse housing development, a stronger regional planning perspective is necessary. It could be argued that the State Government with its state-wide mandate and often focussed on high value metropolitan development matters, does not ‘think regionally’. Similarly, while local Councils effectively champion their local communities, they can be less aware of important region-wide connections and relationships. While recognising that there are already regional development arrangements (for example there are nine ‘Regional Partnerships, across Victoria, though only eight RGPs, see Figure 7) these don’t typically have an institutional or decision-making status. Regional planning arrangements could be developed to support effective implementation of regional plans (the number and boundaries for the regions could be reconsidered, having regard to functional economies, the role of regional centres and transport connections).

FIGURE 7: REGIONAL GROWTH PLAN REGIONS



Source: <https://www.planning.vic.gov.au/guides-and-resources/strategies-and-initiatives/regional-growth-plans>

Lack of system stewardship

The divided – and sometimes unclear – roles of state and local government make strong communication between the two levels of government vital. Previous reviews of the system by the Victorian Auditor-General have criticised the state government’s system stewardship and stakeholder feedback mechanisms.³¹

This situation has contributed to system neglect, and the issues with planning system design are discussed in more detail at Section 4.3. However, at a governance level, recent system reforms including those included in the Housing Statement have focussed on interventions and diversion of applications to Ministerial assessment. This sits uneasily with the findings of the recent Independent Broad-Based Anti-Corruption Commission (IBAC) Operation Sandon Special Investigation. While that investigation focussed on local councils, it specifically noted that its finding about democratic decision-making at council level were equally applicable to Ministerial decisions. The increased concentration of power in an individual decision-maker with reduced scope for appeals (particularly by third parties) increases the integrity risks in the planning system.

Integrity and governance concerns

The Operation Sandon Special Report also raised the prospect of increased use of independent planning panels for planning permit assessment as an integrity measure. This is a matter that – as IBAC noted – would require further investigation. There are legitimate challenges to maintaining democratic involvement in the system under such a model given that (as discussed in Section 4.3) the Victorian system currently leaves a great deal of policy resolution to the planning permit application stage.

It is important that planning governance arrangements create a strong partnership between levels of government that share responsibility for the management of the system. Local government’s critical role needs to be more strongly and clearly acknowledged.

An opportunity to operationalise partnerships with Traditional Owners

The Victorian Government’s support for and progress towards greater self-determination and Treaty for Aboriginal Victorians should be applauded. All six domains or policy areas for which extended Aboriginal control is being considered are relevant to regional planning and related policy activity. “These domains are identified as (i) Children, Family & Home; (ii) Learning and Skills; (iii) Opportunity & Prosperity; (iv) Health & Wellbeing; (v) Justice & Safety; and (6) Culture & Country.”³²

³¹ Victorian Auditor-General, “Victoria’s Planning Framework for Land Use and Development”, May 2008 and “Managing Victoria’s System for Land Use and Development”, March 2017.

³² Federation of Victorian Traditional Owner Corporations 2022, A Comprehensive Treaty Model for Victoria, Discussion Paper 6, https://fvtoc.com.au/wp-content/uploads/2023/05/1413_FVTOC_Treaty_Paper_6_final.pdf

The development and implementation of a Plan for Melbourne and regional plans provides the opportunity to activate partnership and treaty arrangements. Traditional Owners can be incorporated into the governance arrangements for preparation and implementation of plans.

New directions for governance reform

Reinforce the critical role for local government in plan implementation and system stewardship.

This recognises the obvious position of councils as ‘content experts’. It could be included in MAV’s proposed MOU with the state government but would be manifest in any Plan for Victoria and component metropolitan and regional plans that clearly identify and justify circumscribed matters of state and metropolitan planning significance, with all other matters the responsibility of local councils with direction and guidance provided by state government.

Two key and relevant principles for confirming the respective roles of levels of government include:

- Responsibility for planning and decision making should by default be at the lowest possible level or closest to the communities impacted, except where otherwise justified by the significance and complexity of the matter (the principle of ‘subsidiarity’)
- Councils should have the opportunity to provide appropriate and genuine input into decisions even where they are not responsible or the decision-maker.

Establish stronger regional planning, coordination and implementation arrangements.

Regional plans need effective complementary governance and coordination. A dedicated focus on preparing and implementing the plan and its priorities is required, ideally with some devolved resources and decision-making powers. A spectrum of options at the regional scale, from modest to greater institutional reform is possible. A modest option would be a standing committee of relevant State Government ministers and departmental secretaries, incorporating formal engagement with councils within each chosen region. An advanced reform would be establishing sufficiently resourced regional planning directorates (including demographers, planners, economists, infrastructure experts), with boards consisting of majority appointed State representatives, but also Local Government elected representatives. An even more significant reform would be a series of regional planning authorities, with a ‘state-local’ democratic mandate and wider plan-making, infrastructure coordination and ‘regionally-significant’ development assessment powers. Traditional owners need to also be involved as equal partners in any institutional and governance reforms (see below).

Re-boot Development Victoria for orderly and innovative development in greenfield and infill areas, with a mandate to generate net community benefits (social, environmental and economic outcomes) over commercial returns.

A re-booted Development Victoria would play an active role in land purchase and development in regional areas, including a focus on land assembly, demonstration projects, and partnering with developers to prepare land for development. It would play a role in delivery and development to achieve the aims of the regional plans and projects of state or regional significance. This means it would prioritise net community benefit (social, environmental and economic outcomes) over narrow commercial returns.

It should be noted that in regional areas some Councils are already involved in land development to achieve strategic aims and to overcome market failures. A re-booted Development Victoria could provide partnership assistance to these and other councils consistent with an appropriate business case.

Establish Traditional Owners as equal partners in developing and implementation.

Traditional Owners should be integrally involved in decision-making about their Country. The self-determination and Treaty process in Victoria provides the platform for establishing the arrangements for true partnerships in relation to the development and implementation of a metropolitan plan for Melbourne and regional plans. A particularly relevant issue is the extent that Traditional Owners have a claim to value generated through the allocation and granting of development rights through the planning system. This needs to be better understood and explored as part of a meaningful approach to Planning with Country.

Commit to measurement of plan effectiveness.

The planning pillars, and the aims and objectives that are established for them, will provide the basis for identifying measurable targets.

Establishing a realistic set of targets represents a commitment to implementation of the Plan for Melbourne and regional plans. It is consistent with government moves to consider broader wellbeing outcomes in policy development and implementation. The Victorian State Government has already moved to apply the UN Sustainable Development Goals (SDGs), which include measurable targets, to state of environment reporting at the state level. There is likely to be existing relevant targets adopted by State Government which could be used or adapted.

4.3 Regulation

Cycles of ineffective review

The operation of the planning system has been subject to more than a dozen major reviews since the introduction of the VPP system in the early 2000s.³³ These have been accompanied by several major rounds of reforms, but criticisms of the planning system persist. These particularly focus on:

- Lack of policy certainty and clarity
- Insufficient progress in achieving key policy objectives – notably with regards to responses to housing affordability and climate change; and

³³ See the list at Rowley, Stephen. *The Victorian Planning System: Practice, Problems, and Prospects*, 285. The recent Independent Broad-Based Anti-Corruption Commission Operation Sandon Special Report could be added to this list.

- System inefficiency and delay.

These three key problems can be seen as inextricably linked – lack of policy clarity reduces system effectiveness, while at the same time making the system harder to administer and increasing regulatory burden for permit applicants.

In response, previous rounds of review have largely focussed on process reforms, many of which – such as the plethora of system streams described in Appendix 1 – have in fact increased system complexity. The reliance on targeted workarounds has diverted attention of system reform efforts away from the “core” system for everyday applications that do not qualify for special status. Because these system ‘streams’ typically involve diversion of applications to the Minister, such reforms also implicitly entrench the assumption that councils are a problem requiring circumvention, rather than vital partners in the administration of the system and delivery of plan aims and objectives.

Flaws in the regulatory paradigm

The ineffectiveness of previous rounds of system review (such as the Smart Planning program) suggests that there is a need for a paradigm shift in the way the Victorian regulatory planning system functions. As part of the recent Housing Statement the government has flagged a review of the *Planning and Environment Act 1987*. However it is not clear what aspects of the Act are considered of concern. While some reforms may indeed require legislative changes, generally the key structure of the system is set by the underlying VPP framework for planning schemes.

The VPP system is based on a combination of features, notably:

- Extensive use of discretion administered through the permit process to make decisions (with the number of as-of-right and prohibited matters minimised).
- Use of a highly discretionary, principle-based policy framework to guide those decisions.

The policy-based focus of the VPP framework is optimised for making decisions about matters that require a fully bespoke first-principles assessment. However, it is much less suited to dealing with common application types efficiently.

This approach leaves a great deal of policy resolution to the planning application stage. This has created an efficiency burden, as applications become harder to process and applicants have less clarity about acceptable outcomes. It reduces the effectiveness of the system, as outcomes are less dependable and resolution of policy questions frequently shifts to forums such as VCAT. And as the Operation Sandon Special Report noted, the “broad scope of plausibly correct decisions” can foster integrity concerns by making inappropriate and improper decisions harder to pinpoint.

A proliferation of “workarounds”

Recent years have seen a proliferation of special streams and assessment clauses designed to facilitate certain categories of development (see discussion in Appendix 1). These often involve Ministerial / Departmental assessment of qualifying proposals. This has further complicated the allocation of planning responsibilities between state and local government.

It is increasingly clear that the VPP, and the principles of system design underpinning them, will need significant reform to achieve more effective, efficient and transparent implementation of planning goals.

New directions for planning system and regulatory reform

Undertake a regulatory audit of the VPP provisions for plan delivery and planning system efficiency,

This would have a focus on:

- Reviewing whether regulatory provisions reflect strategic intent.
- Ensure provisions accord with regulatory best practice (see breakout box below).
- Aligning the type of provisions with the complexity of matters.
- Improve guidance for regular application types and high priority policy issues such as housing supply and climate change.
- Aligning processing and assessment of applications with the most appropriate decision-maker.

Recognise councils as co-stewards of the planning system, including through structured stakeholder engagement and feedback in system reforms.

Previous reviews of the system by the Victorian Auditor-General have been critical of the existing stakeholder feedback and performance monitoring frameworks. This is a problem for all users of the system, but especially concerning for councils. Councils act as the responsible authority (administering and enforcing planning schemes) for most matters, and effectively co-author planning schemes by providing local content and leading the application of zones and overlays. However, this role as co-stewards of the system with the state government has not been sufficiently respected.

Previous submissions to government by the Municipal Association of Victoria have highlighted concerns that consultation with councils over system reform has been insufficient.³⁴ Major reform announcements frequently catch Councils by surprise, with profound implications for both their strategic planning, and day-to-day operations of the system.

More structured stakeholder feedback mechanisms, especially with councils, would help drive cultural change and signal more genuine engagement.

Provide more structure and rigour to the way variations to discretionary provisions are considered and assessed through VPP reform and guidance documents.

Victoria's highly discretionary planning framework has long been recognised as creating inefficiencies and inconsistent outcomes. The extent of routine variations to provisions such as height controls erodes community trust in the planning system, reduces clarity for applicants, and fuels land speculation (which ultimately inflates property costs). Routine variations to planning provisions also creates integrity risks, as it makes improper decisions harder to detect. While this can partly be

³⁴ https://www.mav.asn.au/__data/assets/word_doc/0019/5734/Submission-on-SMART-Planning-Reforming-the-Victorian-Planning-Provisions-Dec-2017.docx,
https://www.mav.asn.au/__data/assets/pdf_file/0018/29601/MAV-submission-to-Parliamentary-Inquiry-into-Victorias-Planning-Framework.pdf

addressed through greater use of tools such as mandatory controls, there is also scope to tighten guidance on the exercise of discretion through VPP reform guidance and documentation, thereby providing for a more consistent, efficient and transparent system.

Framework for realigned planning system

There is a need for a realignment of the planning system to provide more clarity in the management of the system and to ensure that responsibilities are vested with the most appropriate body at all levels of the system.

Alongside this, the provisions themselves need comprehensive review to ensure that planning schemes are providing clear guidance and proportionate assessment pathways.

The following diagram illustrates how some of these regulatory design principles can be aligned with appropriate governance arrangements in the development assessment system.³⁵

FIGURE 8: ALIGNMENT OF RESPONSIBILITIES AND SYSTEM RESPONSES IN THE PLANNING SYSTEM

Complexity	Simple	Moderate – foreseeable but hard to codify	Strategically important and consequential, novel, complex
Policy design	Codify and remove from the system	Clear descriptions of intended outcomes (e.g. use, density and height).	Principle-based controls
Assessment type		Primarily technical assessment	Policy interpretation and judgement required – may raise significant policy questions
Notification and review		Limited to directly impacted parties	Available to third parties (unless compelling case otherwise)
Assessment / recommendation		Council officers	Council officers / independent panel
Decision-maker		Council officers / independent panel	Metropolitan or regional authority / Minister

This framework conceives of applications within a spectrum of increasing impact and risk, and associated assessment complexity. This can approximately be divided into three categories: low

³⁵ This framework builds on recent work by the Planning Institute of Australia’s Victorian Division (<https://www.planning.org.au/documents/item/12618>) as well as Rowley, Stephen, *The Victorian Planning System: Practice, Problems, and Prospects* Second Edition, Federation Press, 2023).

impact applications that raise few if any genuine planning issues; the common applications requiring assessment, but which raise known or foreseeable issues; and more strategically complex or novel applications. This seeks to embed the following principles of system design.

The system should be targeted to where it adds value

At the level of policy and scheme design, the system should aim to remove the simple applications from the system wherever possible, by better targeting the system to define acceptable outcomes and remove permit requirement.

The system should give clear answers to common dilemmas

Common applications are less likely to be removed from the system, but schemes should aim to give as much clarity about intended outcomes as possible, for example through detailed descriptive policy or form-based codes (a density measure such as Floor Area Ratio, a core element in all planning controls in NSW, could be considered).

The system should provide a principles-based framework for novel matters

For complex applications, there is less likely to be clear policy guidance and the principles-based guidance of the Planning Policy Framework becomes more important to guide first-principles strategically driven decisions. (The Victorian system is currently well-attuned to this kind of application.)

Assessment pathways should align with risk, importance, and complexity

Assessment pathways should follow from the above scheme settings. Simple applications ideally will not require assessment. Planning judgement will be required for the common applications, although this should primarily involve assessment against codes and guidance formalised in the scheme. The complex and novel applications require more first-principles policy judgement and strategic decision-making.

Notice and review rights are an important part of the system

Notice and review rights have long been embedded in the Victorian system and play an important role in maintaining the system's democratic accountability and integrity. These rights should not be removed or traded as part of fast-tracking exercises. Instead, the extent of third-party involvement should flow from the importance of the matter.

The decision-maker should align with the importance and impact of decisions

The choice of decision-maker should follow in a logical manner from this framework. Councils should remain central to processing of the applications, with the bulk of common applications processed at officer level. More significant applications can then be elevated to councillor decision-making. It is appropriate for the Minister to make decisions on matters of genuine state significance, with a genuine role for input and support from councils.

Elected decision-makers should always respond to independent and publicly available reasons

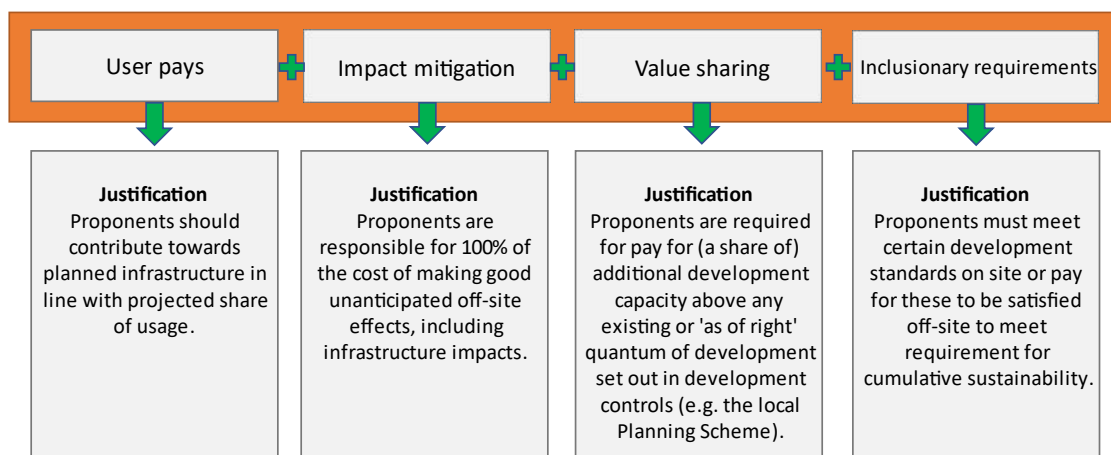
The IBAC Operation Sandon report advocated for independent planning panels to make decisions in response to concerns about councillor conduct. The Victorian Auditor-General has previously expressed concern about governance of Ministerial decision-making, particularly with regards to the reasons provided for decisions (as the Minister does not typically provide or respond to a publicly available assessment. This model responds to these findings by adding a role for a metropolitan and regional authority – which would include council representation – to prepare reports with publicly available recommendations to underpin council and Ministerial decision-making. There may also be scope for some decisions to be made by the authority itself.

A full suite of fit for purpose development contributions is not available to support growth.

A fit for purpose infrastructure funding system is vital, particularly for local councils who are at the front line of supporting growth.

SGS has long advocated that development contributions generally fall into one of four mutually exclusive and additive categories, as shown in Figure 9.

FIGURE 9: FOUR FRAMES OF DEVELOPMENT CONTRIBUTIONS



These 'frames' are helpful in understanding existing development contributions in the Victorian system, and identifying issues and gaps.

User pays charges are the basis of Development Contribution Plans, where future infrastructure costs are apportioned to future development. These are widely used in the metropolitan area (but are more limited in regional areas) and establish an appropriate discipline for councils to undertake forward planning for local infrastructure. In theory they also provide 'price signals' to direct development to 'least cost' locations in the first instance (because new development will pay a lower cost where existing infrastructure is available or has capacity).

Some councils have not prepared DCPs in regional areas or have not kept them up to date. In these cases, vital funding for infrastructure is being foregone. Support for the preparation and management of DCPs needs to be improved with more assistance and tools. In some infill and regional areas it may be onerous to prepare full and detailed DCPs.

Impact mitigation contributions would typically be imposed as permit conditions or established through a section 173 agreement (negotiated in-kind infrastructure contributions provided by developers). Greater clarity on this development contribution category, examples of infrastructure it could cover, and how it can be quantified and applied would support councils.

Value sharing, or ‘value capture’ contributions are premised on the state reservation or ‘ownership’ of development rights³⁶. They are imposed in two principal ways in Victoria; via the Growth Areas Infrastructure Charge (GAIC) which applies to ‘greenfield’ development with the Urban Growth Boundary, and the Windfall Gains Tax (WGT) introduced to capture gains associated with land value uplift from planning decisions. The WGT doesn’t apply to GAIC affected land within the UGB, and the de-facto value capture charge represented by the GAIC in these areas has fallen behind in effectively capturing value uplift. A dual system of state levied charges and taxes associated with development has emerged.

Furthermore, the WGT presents the prospect of competing and contested valuations for the post and pre rezoning values, upon the difference of which the WGT will be based. This raises the prospect of undesirable and increased uncertainty in the development process. A foundational principle is that a developer of land should be able to reasonably estimate the costs associated with future development – alongside revenue estimates – recognising prospects for changes at the margins, so that bids for land can reflect this knowledge. The WGT regime may not be sufficiently transparent about the prospective WGT to enable this.

The call for a mechanism to capture windfall gains in the Operation Sandon report presents the opportunity to establish a unified state level value capture mechanism, to apply in both greenfield and non-greenfield contexts.

Inclusionary requirements are established via, for example, mandatory car parking provision rates in Planning Schemes and open space contributions in the subdivision legislation. These examples, and other expectations of development in the planning system, illustrate how inclusionary requirements are a means of providing ‘essential infrastructure’ which we take for granted in creating liveable communities. This perspective highlights how social and affordable housing might also be an inclusionary requirement, considered as critical or essential infrastructure at a local level.

In 2022, the Victorian Government announced a 1.75 per cent Social and Affordable Housing Contribution (SAHC) on all new developments of three or more dwellings in metropolitan Melbourne, and the Greater Geelong, Greater Bendigo and Ballarat local government areas. This was to provide funding for approximately 1,700 new social housing units annually.³⁷ It was in effect a widely applied inclusionary levy. This landmark reform was abandoned a week later.³⁸

³⁶ Australian Government (July 2023) Barriers to Institutional Investment, Finance and Innovation in Housing, Interim National Housing Supply and Affordability Council, https://nhsac.gov.au/_assets/downloads/barriers-to-institutional-investment-report.pdf

³⁷ Building a Secure Housing Future for Victoria, <https://www.premier.vic.gov.au/building-secure-future-social-housing-victoria>

³⁸ Premier of Victoria, Statement on Planning Reform Package, 01 March 2022. As at <https://www.premier.vic.gov.au/statement-planning-reform-package>

New directions for infrastructure funding

Establish a ‘pre-scheduled’ value capture contribution (‘development licence fee’) to replace the Windfall Gains Tax and GAIC with council land exempt and a share of revenue distributed back to councils.

An explicit or ‘known’ development licence fee would be calculated on the uplift in value generated through more intensive use of land made possible by development consents or rezonings, varying as a \$/sqm rate by use by precinct. The system would be similar to the Lease Variation Charge in the ACT where, through the leasehold land tenure system, the Territory Government explicitly retains ownership of development rights. Development proponents must pay a charge geared to 75 per cent of the uplift in lease value once planning permission has been secured.

There is a strong case to be made that council land should be exempt from a value capture charge or development licence fee, where it can be demonstrated that land value uplift is utilised for delivering public benefits. Furthermore, a share of any revenue generated by this development licence fee, should be returned to local government, based on growth shares or some other relevant criteria, to assist in infrastructure funding. This is particularly important in regional areas where funding for catalyst infrastructure in more marginal feasibility contexts may be more limited.

Better align water authority and other state infrastructure funding and planning with regional land use planning.

In many regional contexts the willingness or otherwise of the regional water authorities to fund water and sewerage infrastructure is the single biggest determinant of prospective housing supply. There can be a poor alignment between water authority servicing plans and strategic or preferred development phasing. The investment programming and funding parameters for water authorities need to be in the service of regional land use planning. The water authorities and other key infrastructure provision agencies need to be ‘in the tent’ and aligned to the land release and residential development aims of the regional strategies.

Establish a system of standard rates for local development contributions in parallel with DCPs.

This would refine the current system of Infrastructure Charges Plans by enabling councils to choose ‘off the shelf’ infrastructure charges that vary by development context and/or place typology (e.g. activity centre, regional infill and regional greenfield) and are set conservatively (i.e. lower) than what is likely to be possible via an appropriately prepared DCP. The DCP pathway would still be available.

Local infrastructure planning linked to land use change would be anticipated in pursuing either approach.

Establish a financing mechanism to forward fund local development infrastructure.

Barriers to the financing of lead and trunk infrastructure (particularly drainage and roads) to support timely and in-sequence housing development is a constraint on efficient housing supply. ‘First-mover’ developers are reluctant to finance early infrastructure cost, and councils are unwilling or unable to borrow to finance the works (particularly where future receipts from Development Contributions may be uncertain, in modest or low growth contexts which can be typical in regional areas). The State

should establish a financing facility to cover the upfront costs of infrastructure where this is demonstrably a barrier to a development pipeline, secured against future receipts from DCPs.

Establish a mandated Social and Affordable Housing Contribution.

The development process has a role to play in the delivery of (subsidised) social and affordable housing, as essential infrastructure benefitting all development and communities. Councils, the development industry and community housing providers have all identified that the current approach of site by site negotiations is ineffective so a mandatory contribution is required. The previous proposal for a Social and Affordable Housing Contribution should be revisited and revised to ensure a broad base of development is liable (including on non-residential development, and in areas outside metropolitan Melbourne and regional cities), contribution amounts are as clear as possible, and to minimise disruptions to existing development (i.e. introduced with a reasonable lead time of say 2-3 years and then phased up with the rate of contribution low initially and increasing over time).

Local government should be involved in advising on where and how contributions would be invested, having regard to housing needs and demands and meeting strategic planning objectives. In regional Victoria directing funding to the development of key worker or essential housing may be a particular priority.

4.4 Resourcing

Local government in Victoria faces a financial sustainability gap.

The Municipal Association of Victoria (MAV) and Local Government Finance Professionals (FinPro) recently developed a dataset to demonstrate the financial sustainability of Victorian councils.³⁹

It identifies four risks to financial sustainability, some of which have already been mentioned in this paper:

- Deteriorating underlying surplus across local government.
- A significant asset renewal gap.
- The compounding effect of a rate cap which has consistently been set below the cost increases experienced by councils.
- A limited and reducing unrestricted cash position of many councils.

Local government's financial autonomy and capacity when confronted with increased responsibilities and the need to play a meaningful role in partnership with the state government to manage the growth challenge needs to be addressed.

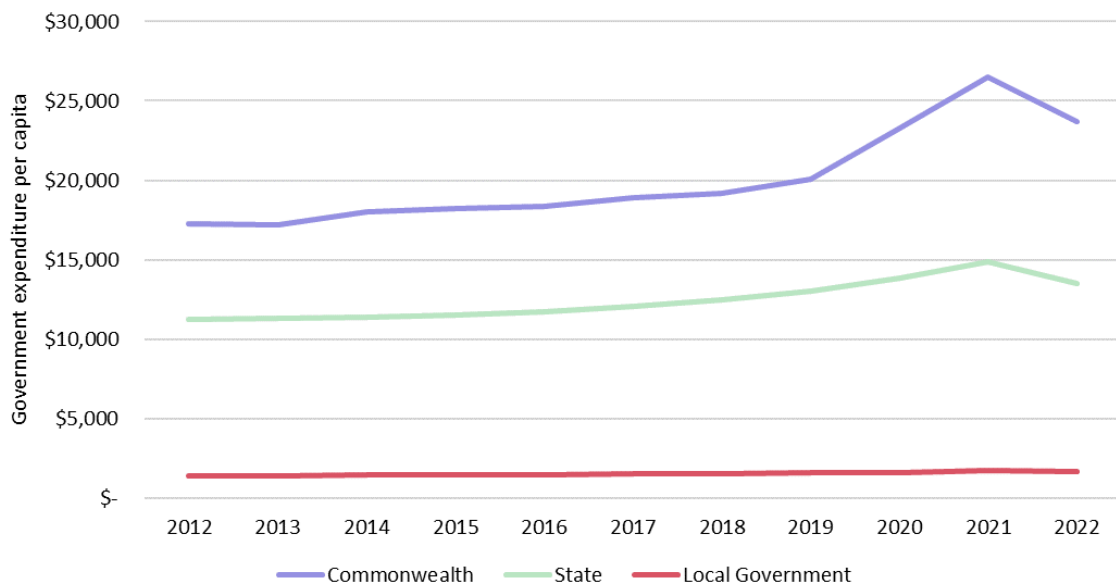
³⁹ The Sustainability Gap – the financial health of Victorian councils, <https://new.parliament.vic.gov.au/4ad645/contentassets/af06ba8f75c9461cbcc882e54ae82b8d/mav---handout.pdf>

As the dataset document points out:

Councils are often perceived as being financially strong based on total cash holdings. It is critical to understand that much of this cash is ‘restricted’ in nature, linked to statutory or contractual obligations such as developer contributions for the funding of infrastructure. Unrestricted cash has been steadily decreasing. This decline potentially affects the ability of councils to make discretionary investment in local priorities and aspirations. Reduced unrestricted cash also reduces the capacity and ability of Council’s to maintain infrastructure and react effectively in the event bushfires, floods, or other emergencies.

This reduced unrestricted cash position is significantly linked to the State Government imposed system of rate-pegging in Victoria, which imposes a revenue raising restriction on local government that isn’t applied to other levels of government. Figure 10 shows that while state and Commonwealth government expenditures per capita have been gradually and then rapidly increasing over the past decade (with a dip post-Covid), local government expenditure per capita has remained stagnant (and has thereby declined in real terms given inflation), remembering that rate-pegging is in place in New South Wales and other states as well.

FIGURE 10: GOVERNMENT EXPENDITURE PER CAPITA IN AUSTRALIA BY GOVERNMENT SECTOR (2012-2021)



Source: ABS, 2022, Government Finance Statistics, Annual, 2021-22 financial year

A severe shortage of planning staff and resources

The achievement of planning objectives, and general planning system functioning, is being compromised by a severe shortage of urban and regional planners.

The Planning Institute has noted that ‘the worsening skills shortage was revealed in Jobs and Skills Australia’s (JSA) annual Skills Priority List, which shows that ‘urban and regional planner’ was one of the

occupations assessed as being in shortage in 2023 but not in 2021...with a shortage in every state and territory except the ACT'.⁴⁰

Even in 2019 the MAV called for 'the Victorian Government, councils, and the planning profession work together to address the skills shortage and boost the number and capability of planners within local government'⁴¹. This shortage of planners is being felt in metropolitan Melbourne and is particularly acute in regional Victoria for most councils.

New directions for local government resourcing

Remove rate capping for enhanced fiscal independence of local government.

Supporting and recognising local government as a true partner in implementation requires an increase in the sector's fiscal and operational autonomy. Removing or reforming rate capping, with appropriate accountability, to liberate councils to match revenues to increasing responsibilities, and meet community expectations and needs for better infrastructure and services, is an overdue reform.

Provide targeted funding for planning scheme amendment work undertaken by local government.

Keeping planning controls up to date and consistent with the Plan for Melbourne or regional plans is a critical and fundamental role of councils. A new Plan for Melbourne and regional plans, and an upfront investment in a supporting Operational Plan and improved ministerial guidelines, will reduce costs in plan-making and planning scheme amendments but the latter are still costly to 'get right'. A dedicated revenue source for the work of councils on planning scheme amendments is warranted. This could potentially come from the revenue generated by the proposed 'development licence fee' (value capture charge) or from an expanded Metropolitan Planning Levy or new Regional Planning Levy.

Work with local government to prepare a workforce plan for strategic and statutory planners.

Addressing the shortage of planners is an urgent priority. The state government should make this a priority, working alongside local government, the industry and the education sector.

⁴⁰ PIA, New data shows growing shortage of planners, <https://www.planning.org.au/news-archive/2021-2023-media-releases/new-data-shows-growing-shortage-of-urban-planners---bad-news-for-housing-regional-communities-transition-to-net-zero>

⁴¹ MAV (2019) Planning and Building Approvals Process Review Discussion Paper, https://www.mav.asn.au/__data/assets/word_doc/0019/24256/Submission-to-Red-Tape-Commissioner-Planning-and-Building-Approvals.docx

5. Whole of government operational plans

Regional plans that fully address the five pillars agenda will inevitably be ambitious in scope with implications for the activities and actions of multiple stakeholders within and outside of government. The reforms across governance, regulation, infrastructure funding and resourcing will generate new capacity for effective implementation across government and local government, enabling a greater ‘whole of government’ and coordinated capability than currently exists.

To ensure a coordinated approach to progressing strategic planning objectives, a separate operational plan is recommended (one for each metropolitan and regional plan).

Prepare a separate operational plan to guide whole-of-government implementation of strategic plans.

Plan Melbourne was accompanied by an implementation plan and annual progress reports – but was meant to also be supported by sub-regional land use framework plans to resolve detail at a finer grain level (these were never finalised). The prospects for effective implementation of metropolitan and regional plans can be strengthened with an operational plan that combines and enhances the intent of this previous implementation framework by focussing on priorities and roles, prepared via a participatory process involving local government, key agencies and authorities.

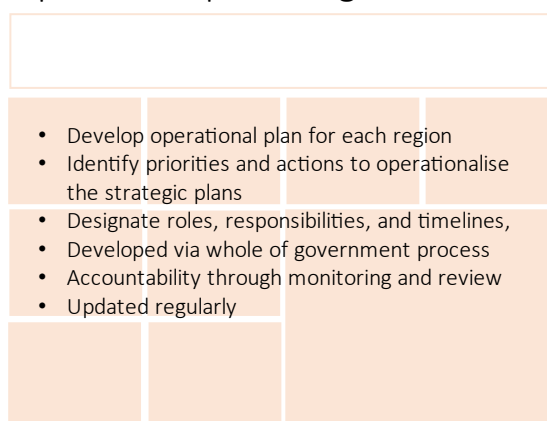
The operational plan(s) should embody a manageable agenda, with realistic resourcing requirements, and be dynamic and updated regularly. This is in contrast strategic plans that are or should be, by design, long-lived rather than contingent.

FIGURE 11: POTENTIAL FRAMEWORK FOR STRATEGIC AND OPERATIONAL PLANS

Strategic plans to set directions



Operational plans to guide actions



An updated suite of policy guidance and other support material such as population and dwelling and employment forecasts, as well as complementary plans and policies would also be anticipated.

Appendix 1: Current governance arrangements

The management of the planning system is currently shared between state and local government. While this is common in Australian jurisdictions and has advantages in ensuring consistency and policy coordination, it also presents challenges. The structure of planning governance has also contributed to system complexity.

State government, local councils and the VPP planning system

The state government controls the planning system, with the system operating under state legislation (the central pillar being the *Planning and Environment Act 1987*) and the Minister for Planning having final approval power over all content in planning schemes. This is achieved through the requirement that the Minister approve all planning scheme amendments, as well as through the control of the underlying toolkit of the Victoria Planning Provisions (VPPs). These are the toolkits out of which planning schemes must be assembled, and include state-wide policy provisions as well as a suite of standard planning tools. The state government also sets overarching strategy, which relevantly includes the Melbourne metropolitan strategy *Plan Melbourne 2017-2050*.

The state government therefore controls the legislative framework, sets the key policy directives, and has stewardship over the planning system itself.

Within this framework local government set more detailed policy for their local area (subject to Ministerial approval). They also undertake most of the day-to-day administration of the system by processing and deciding most planning applications.

State Government Departments and Agencies

The primary support for the Minister for Planning as custodian of the system is the Department of Transport and Planning. This provides system stewardship across governments and undertakes some Ministerial functions under delegation.

However, an array of other government agencies contribute to metropolitan planning outcomes, notably:

- The Victorian Planning Authority: an authority focussed on structure planning for growth areas and major urban renewal precincts.
- Infrastructure Victoria: an advisory authority that provides advice to government about infrastructure.
- Development Victoria: the government's property development and urban renewal corporation.

- Homes Victoria: A subsidiary of the Department of Families, Fairness and Housing focussed on delivering social and affordable housing.
- Referral authorities: Many different agencies provide expert input into planning decisions that affect specific interests as referral authorities. Examples include the Environment Protection Authority, transport authorities, utility companies, and catchment management authorities.

VCAT and Planning Panels Victoria

The Victorian Civil and Administrative Tribunal (VCAT), through its Planning and Environment Division, acts as the appeals body for disputes around planning permit decisions, along with a procedural disputes about planning processes.

While VCAT decisions do not have the status of formal legal precedent, as the usual final arbiter of contested planning matters, VCAT’s approach serves an important role in shaping planning practice. While VCAT is not intended to take a policy role, in practice the Tribunal may also play a role in shaping outcomes where difficult calls are left to the Tribunal, or where system neglect or lack of clarity in policy leaves it determining important issues.

Planning Panels Victoria is a body nested within the Department of Transport and Planning that provides staffing and administrative support to advisory bodies under several pieces of legislation, notably planning panels (which advise the Minister about planning scheme amendments), advisory committees (ad hoc committees appointed to consider a specific issue at the direction of the Minister) and environmental effects inquiries (which are part of the environmental impact assessment process undertaken under the *Environment Effects Act 1978*).

Ministerial Interventions, Call-ins and Special Purpose Streams

While the overwhelming majority of planning decisions are made by local government, the Minister for Planning has multiple routes to decide applications if they wish to.

For example, the Minister may:

- “Call in” and determine applications on an ad hoc basis from the council.
- “Call in” and determine applications from VCAT.
- Amend the scheme to make themselves the responsible authority for particular proposals, locations, or categories of proposal.
- Amend the scheme so that a proposal does not need a permit, or to embed an approval within the scheme.
- Amend the scheme and issue a planning permit simultaneously to approve a proposal (including in instances where a development would be prohibited under current controls).

In addition, an increasing array of provisions have been included in planning schemes to provide special assessment provisions or processes for certain categories of development. These are typically related to government projects, delivery of housing, or matters deemed of high economic value. Examples include:

- Clause 52.20 – Victoria’ Big Housing Build

- Clause 52.30 – State Projects
- Clause 52.31 – Local Government Projects
- Clause 52.35 – Major Road Projects
- Clause 52.36 – Rail Projects
- Clause 53.19 – Non Government Schools
- Clause 53.20 – Housing By or on Behalf of Homes Victoria
- Clause 53.21 – State Transport Projects
- Clause 53.22 – Significant Economic Development
- Clause 53.23 – Significant Residential Development With Affordable Housing
- Clause 53.24 – Future Homes.

Several of these clauses were added or expanded in scope as a result of the recent Housing Statement, summarised earlier, suggesting an increase in focus on these mechanisms.

For less consequential developments, the VicSmart program provides a stream for proposals that are exempt from notice and not subject to a councillor decision (as the council's CEO is made the responsible authority).

The structure above is in part a reflection of a deliberate attempt (espoused in several system reviews) to increase the number of system "streams" to provide additional system flexibility to deal with applications of different sizes. However, it also reflects a tendency toward system workarounds that bypass normal processes for favoured application categories.

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