

# Shaping metropolitan Melbourne: A discussion paper

for the Municipal Association of Victoria

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## APPENDIX 1

# A positive planning agenda for Melbourne

## 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. While not as complex, 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.

## Unprecedented growth challenges

The Victorian Government's official population forecasts suggest that Metropolitan Melbourne's **population will increase between 2021 to 2051 by over 3 million people to 8 million**. To accommodate this growth more than 46,000 additional dwellings will be required every year – **or 895 dwellings every week for the next 25 years and beyond**. The Government's recently released Housing Statement raises the bar significantly with the aim of producing around 80,000 dwellings per year to 2051 across the state as a whole. The all-time peak in dwelling construction in Victoria was 71,802 in 2018, and the 20 year annual average to 2022 was 47,618.

The scale and complexity of this growth management and planning task for Melbourne and Victoria can hardly be over-stated. In parallel with building more housing than ever before, environmental, social and economic challenges need to also be addressed.

- Climate change is bringing more hazardous events such as flooding and bushfires. Ecosystems and biodiversity, and land used for food production need protection. The areas available and suitable for new development in ‘greenfield’ areas are shrinking.
- While the government ambition for 70% of growth in established areas of Melbourne is appropriate, higher density housing redevelopment puts pressure on existing infrastructure and community services, reduces areas for trees and cooling vegetation, and is not readily integrated in suburban areas where long and narrow lots with detached houses, developed in another era, are typical.
- As the urban area grows outwards spatial inequality deepens; residents in new suburbs have access to much fewer jobs and services than those in inner areas, within a reasonable travel time. Travel costs are typically higher and the jobs they are able to find pay less. The provision of community, public transport and road infrastructure is not keeping pace with development.
- 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 in Australian cities. An enduring re-investment in social and affordable 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 metropolitan planning and four implementation themes are identified.

### More than housing: five pillars of metropolitan planning

Metropolitan-scale strategic planning should be based on a compelling overall vision for the future structure of the urban area, optimising net community benefits.

Effective metropolitan planning identifies the broad extent of the urban footprint, and how future employment areas will be distributed, and housing, infrastructure and servicing provided to achieve the desired future urban structure. It identifies 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.

Plan Melbourne is a comprehensive plan. The suggested directions in this discussion paper address new and emerging challenges and take the strategy ‘further’.

Directions in support of the vision are expressed through metropolitan planning pillars:

1. **Settlement that respects the landscape** which should be supported by: meaningful Planning with Country; comprehensive state-led bushfire and flood mapping; effective policies to achieve tree canopy aims and a ‘greener’, cooler city.
2. **Strong economic and employment clusters** in a multi-centred city requiring a commitment to more accessible suburban jobs and economic activity, including relocating or directing government jobs to major centres; as well as protection of strategic industrial land for critical distributed economic and enterprise activities.

3. **Transport in support of a connected and compact city** requiring a Melbourne Integrated Transport Strategy combining land use and transport and identifying an investment and network plan for public transport, roads and 'e-travel' and active transport particularly cycling, with incentives and penalties to drive efficient investment in the transport network and sustainable, less polluting travel behaviours.
4. **Housing choice, affordability and sustainable neighbourhoods** with aspirational housing capacity targets for each council area demonstrating how the settlement vision including the 70% infill aim will be achieved, supported by social and affordable housing, liveability and zero carbon targets, and guidelines for local planning in activity centres and renewal areas.
5. **Infrastructure that supports resilient communities** including consistent state provided benchmarks and guidelines for the provision of community infrastructure and open space to enhance local planning and place outcomes, and additional state level community infrastructure financial support for greater infill development and disadvantaged areas.

### **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 Plan Melbourne is missing. Establishing this is perhaps a higher priority than preparing a brand new Plan.

The planning system as a whole – including its ability to deliver the aims of the existing or a future Plan for Melbourne and the regions, 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 planning system. These constrain prospects for achieving its ambitious housing supply aims, let alone the liveable, productive and sustainable goals of a Plan for Melbourne.

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 vehicle for metropolitan plan development, coordination and implementation 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** – Undertake planning reform to better align responsibilities and system responses in the planning system (see figure below) including an audit of the VPP provisions for plan delivery and system efficiency and to confirm councils as co-stewards of the planning system.

**ALIGNMENT OF RESPONSIBILITIES AND SYSTEM RESPONSES IN THE PLANNING SYSTEM**

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

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’ ‘finish’ the Infrastructure charges plans reforms by establishing a system of standard rates for local development contributions in parallel with Development Contribution Plans; 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.

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 metropolitan planning

### Settlement in the landscape

Respect and minimise impacts on the landscape and ecological systems - ecological sustainability is paramount, particularly in the face of climate change and threats to biodiversity. Trees, natural areas and water should be integrated into urban areas as part of a network of 'green and blue infrastructure'. Sensitively planning *with* and *for* Country – respecting the Aboriginal approach to stewardship and care of soils, plants and water over thousands of years - is at the heart of this understanding of settlement in the landscape.

### Strong economic and employment clusters

Employment and economic activity clusters and concentrations are major determinants of a city's 'structure'. As destinations for work, shopping and leisure they provide a focus for transport planning. Employment is best clustered and located in centres to maximise accessibility to residents and workers, and 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 crucial to the economy and the functioning of cities.

### Transport in support of connected and compact cities

The transport network, and the travel behaviours and patterns it enables, aligned with planning for employment and housing growth, underpins the achievement of a desired urban structure – in Melbourne's case a multi-centred, compact and sustainable city. An integrated land use and transport strategy is required, focussed on minimising trips and trip lengths, maximising the use of public transport or non-car based modes for routine and leisure trips, efficient business to business movement for commercial vehicles and minimised and low-impact local private car based travel. Effective transport planning, and the incentives and penalties 'in the system', will also drive sustainable changes in travel behaviour and support the transition to less polluting modes such as public transport and electric vehicles.

### Housing choice, affordability, and sustainable neighbourhoods

Over the past 50 years planning for new housing in Melbourne has centred on developing new suburbs on the fringe of the city, dominated by detached family housing dependent on car ownership and use. But housing markets and preferences are changing, reflecting changing patterns of employment, changing demographics, reduced home ownership and housing affordability and new patterns of working. At the same time, outward growth recognised as less sustainable and more costly for society. The challenge of building more housing in the established areas – 'going up as well as out' – is now a major focus of metropolitan and settlement planning. Planning for housing growth needs to balance a range of objectives: delivering greater housing choice, improving

## New directions

- Commit to Planning with Country.
- Establish and maintain networks of **'green' and 'blue' infrastructure within new and established areas**, through tree canopy requirements and reforms to open space contributions
- Commit to bushfire and flood mapping to identify areas unsuited to development or intensification
- Elevate **planning for a multi-centred city** providing more accessible suburban jobs and economic activity.
- Further develop clear monitoring and planning and infrastructure investment guidance to local, regionally significant and state significant industrial areas.
- Prepare a Melbourne **Integrated Transport Strategy** that supports the sustainable settlement vision, multi-centred city structure and housing future established by the Plan for Melbourne.
- Nominate **aspirational housing capacity targets** by municipality to guide local planning, to demonstrate achievement of the settlement vision including 70% infill and 30% greenfield metropolitan wide split.
- Further **develop activity centre and neighbourhood planning** approaches based on explicit housing diversity, social and

affordability outcomes, and creating sustainable neighbourhoods. More sophisticated and design conscious approaches are required to demonstrate how increased density can leverage higher amenity outcomes.

affordable housing, open space, community infrastructure, active transport and net zero carbon targets.

- Expand the mechanisms available to achieve precinct based rather than 'lot-by-lot' infill development

### **Infrastructure for resilient communities**

Accommodating growth and creating new housing requires investment in local community infrastructure, delivered at the right time, to support resilient communities. Community infrastructure is both 'hard' infrastructure (community facilities) and 'soft' infrastructure (community services and programs). Local governments have largely been tasked with financing the delivery, servicing, and management of local community infrastructure. However, increasing financial pressures are impacting their ability to increase their asset capacity, as well as renew and maintain existing assets. These financial pressures are a result of a range of outcomes such as rate capping, increased delivery responsibilities, increasing infrastructure costs, increasing service demands, market failure, and increasing community expectations. Councils face a financial and planning challenge of providing new or upgraded infrastructure in both infill and greenfield growth contexts, but also in providing backlog or vital support services and infrastructure to communities experiencing social and economic disadvantage.

- Commit to development of infrastructure benchmarks and guidelines as a baseline for local planning.
- Establish state guidance for open space contributions
- Commit to a program of state level community infrastructure support for greater infill development and support for disadvantaged areas.

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

# 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*<sup>1</sup> 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% in established areas and 30% 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.

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<sup>1</sup> <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% 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 metropolitan Melbourne, though is complemented by a similar Regional and Rural Discussion Paper. This emphasises the above point: that distinct approaches are required. This Discussion Paper contains:

- A summary of some key **metropolitan growth and development challenges**
- A **'five pillar' agenda for metropolitan 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. Melbourne's metropolitan planning challenge

### 2.1 Planning for Metropolitan Melbourne in context

The State Government's current metropolitan planning strategy is *Plan Melbourne 2017-2050* which "defines the future shape of the city and state over the next 35 years". Plan Melbourne (including an update in 2020) is a comprehensive strategic plan for metropolitan Melbourne. It is framed around nine core planning principles.

- Principle 1 A distinctive Melbourne
- Principle 2 A globally connected and competitive city
- Principle 3 A city of centres linked to regional Victoria
- Principle 4 Environmental resilience and sustainability
- Principle 5 Living locally — 20-minute neighbourhoods
- Principle 6 Social and economic participation
- Principle 7 Strong and healthy communities
- Principle 8 Infrastructure investment that supports balanced city growth
- Principle 9 Leadership and partnership

It proposes a hierarchy and 'network of activity centres, linked by transport'. The network of activity centres includes Central city (Melbourne), seven National Economic and Innovation Clusters (focussed on universities), eleven metropolitan activity centres, 121 major activity centres and numerous neighbourhood activity centres.

A centrepiece of Plan Melbourne, and highly relevant to the spatial planning undertaken by councils is the 20 minute neighbourhood concept. This idea is built on six 'hallmarks'.

- **Hallmark 1 - Safe accessible and well -connected.** Safe, accessible and well connected for pedestrians and cyclists to optimise active transport.
- **Hallmark 2 - Thriving local economies.** Facilitate thriving local economies.
- **Hallmark 3 - Services and destinations.** Provide services and destinations that support local living.
- **Hallmark 4 - Climate resilient.** Support climate resilient communities.
- **Hallmark 5 - High quality public realm.** High quality public realm and open spaces.
- **Hallmark 6 - Viable densities.** Deliver housing/population at densities that make local services and transport viable.

Plan Melbourne was to be supported by land use framework plans (LUFPS) for the six metropolitan regions, to guide the application of Plan Melbourne. Prepared as drafts in 2019, the LUFPS have never been finalised.

In the September 2023 Housing Statement, the Victorian Government announced it would update Plan Melbourne, expanding it to cover the whole State. It proposed to support the government's 70:30 infill target by providing 'local government targets for where those homes will be built'<sup>2</sup>.

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 a metropolitan wide plan to direct city growth, particularly given the extent of the growth and development challenges.

## 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 Metropolitan Melbourne's population will increase by 3.1 million people to 8 million from 2021 to 2051<sup>3</sup>, with an estimated additional 1.39 million dwellings over the same period<sup>4</sup>.

According to these forecasts between 2021 and 2051 Metropolitan Melbourne will need to deliver more than 46,000 net additional dwellings annually - the equivalent of additional 895 dwellings every week<sup>5</sup>. The all-time peak in dwelling construction in Victoria was 71,802 in 2018, and the 20 year average to 2022 was 47,618.

In 2021 Victoria's population split was 72.5% in metropolitan Melbourne and 27.5% in regional areas.<sup>6</sup> Looking forward Victoria in Future assumes metropolitan Melbourne will accommodate 83% of the additional population growth to 2051<sup>7</sup>, implying an ever greater share of development and economic

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<sup>2</sup> Housing Statement, Victorian Government 2023

<sup>3</sup> Victoria in Future (VIF) 2023

<sup>4</sup> ibid

<sup>5</sup> ibid

<sup>6</sup> ibid

<sup>7</sup> ibid

activity in the metropolis. 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.

Notwithstanding alternative scenarios about future regional versus metropolitan population shares, where and how growth will be accommodated is the fundamental question for metropolitan scale planning in Melbourne.

One marker already established is the urban consolidation aim<sup>8</sup> of accommodating 70 per cent of net additional housing in the established parts of the metropolis and 30 per cent in greenfield areas (70:30). This alone would represent a significant shift in the location of new development (from around 40 per cent in established areas and 60 percent in greenfield areas<sup>9</sup>, that is 40:60), without even answering the question of the distribution of established area development.

## **2.3 Selected challenges facing metropolitan Melbourne**

Plan Melbourne is a comprehensive metropolitan plan. However, the context for planning is changing rapidly. A new approach to planning for Metropolitan Melbourne will need to consider what past strategies have done well and how they could do better, and provide the guidance and direction to address new and evolving growth challenges. A selection of these challenges – by no means comprehensive - are discussed below.

### **The pressure on growth areas and the infrastructure challenge remains**

Shifting the balance from greenfield to infill, to contain growth with the aim of better infrastructure utilisation, will not erase the pressure on new growth areas. Analysis by SGS<sup>10</sup> for Melbourne's Interface Councils (responsible for greenfield development areas) found that the shift to 70% infill to 30% greenfield reduces the greenfield forecast populations by only 6 percent – down to 2.5 million from 2.7 million in 2036, with still around 1 million extra people added across the Interface Council areas.

The growth area development and infrastructure pressures will remain. In the case of older growth area councils, the planning and rezoning to accommodate the anticipated growth has already occurred. For these councils the challenge of supporting this development, and their future communities, with necessary infrastructure and services remains. Many growth area residents are left with the challenges of long commutes, high car dependency, a lag in local infrastructure and broken promises when it comes to roads and public transport.

For new growth areas, efficiently working through the elements of the planning process to support timely new housing supply – as well as create liveable and sustainable communities - is critical. This includes identifying and designating appropriate and hazard free land, protecting landscapes and

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<sup>8</sup> Policy 2.1.2 of Plan Melbourne 2017 - 2050.

<sup>9</sup> Zierke, M (2023) Can we meet infill housing targets and deliver good design? As at <https://lgiu.org/briefing/a-discussion-with-melbourne-councils-on-the-future-of-infill-housing-how-to-progress-consistent-high-quality-outcomes/>

<sup>10</sup> SGS Economics and Planning (2023) Melbourne's Growth Opportunity, prepared for Interface Councils.

environmental values, preparing place specific precinct plans, coordinating with all relevant agencies, engaging with communities, funding and delivering both local and state infrastructure and addressing land fragmentation for orderly development.

### **The current approach to housing intensification isn't delivering**

While greenfield growth management is full of challenges, Melbourne has a long track record of new suburban development, and established processes and guidelines to support planning and delivery.

Notwithstanding established aims for diverse and liveable communities in established or infill area development, and an understanding of the benefits of planned densification, there is no clear guidelines, or 'pattern book' for successful renewal. This is a newish challenge, with undeveloped tools and levers.

Unfortunately, the status quo approach to infill development often generates poor outcomes. Design quality is often poor, housing diversity is lacking, community infrastructure becomes over-crowded, provision of green canopy and new open space is not keeping pace, and connected active transport networks are not being created. Zero carbon aims are yet to be embedded. New housing is typically not affordable to most households. Achieving the aims of the 20 minute neighbourhood agenda is proving difficult.

Infill development falls into three broad categories:

- redevelopment of larger brownfield (ex-industrial) sites (delivering 26 per cent of development 2005-2016<sup>11</sup>) – these have been relatively 'easy' to convert though opportunities will diminish as the continued need for industrial land to accommodate trades, warehousing, depots, manufacturing and freight operations is better understood.
- focussed on activity centres and public transport corridors (7 per cent of development 2005-2016) – intensification has been limited to just a few key activity centres, with varying levels of density and design outcomes (poor feasibility for higher density living and community resistance to development can be barriers in these areas)
- scattered infill (23 per cent of development 2005-2016) – this is mostly through lot by lot low to medium density dual occupancy and villa unit type development where design and liveability outcomes in aggregate are particularly poor, with loss of deep soil for trees, poorly oriented housing, eroded public domain (and effective yields are below what they should be).

Realistically, a much greater share of established area development in future should be in activity centres and through more targeted, better planned scattered infill,

However, in the absence of tools to achieve high quality, affordable medium density development to showcase what could be achieved, a great deal of proposed intensification is met with community opposition. For local governments, better design and amenity outcomes are essential to generating community support for change.

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<sup>11</sup> (DEWLP 2016) Metro Melbourne Housing Development Data Summary Report 2016 as at <https://www.planning.vic.gov.au/guides-and-resources/data-and-insights/housing-development-data>

### **There is a growing divide in access to jobs and services**

As Melbourne has grown outward so too has the travelling distance to jobs and services for residents. Plan Melbourne recognised the need to create job opportunities in Melbourne's northern and western regions – particularly high value knowledge-based jobs – as well as to improve access to jobs closer to where people live.

Yet, recent analysis of 'effective job density' (EJD) in metropolitan Melbourne<sup>12</sup> (2021) shows the CBD and inner city as being the most 'economically dense', with density or access to shares of metropolitan Melbourne's jobs reducing in outer areas. EJD is indicative of the number of jobs in an area and accessible from an area – bringing together employment locations and transport availability from any particular location. This reducing density of employment with distance from the inner city also reflects access to services. "Noting that one person's job is often another person's service, locating in a high EJD area also means greater availability of education, training, health, retail, recreational and cultural services"<sup>13</sup>.

Perhaps most concerning is not just the failure to increase access to employment in outer and growth areas, but that as housing has continued outwards access to jobs has decreased. In 1996 residents moving to the growth area of Lynbrook had access to 23.9 per cent of Melbourne's jobs (373,058 jobs) within a 30-minute drive. Today, residents moving to the Pakenham East growth area only have access to 4.8 per cent of Melbourne's jobs (133,233 jobs) within a 30-minute drive.

The impact of this divide between where someone lives and access to jobs on women's workforce participation is significant. Research shows that despite higher levels of education women typically work less hours and in lower paid jobs in outer areas of Melbourne in order to meet the demands of being a primary caregiver. With the primary breadwinner, typically male, travelling longer distances to access employment.

### **The housing crisis continues – more social and affordable housing is required**

It is estimated Victoria will need an additional 600,000 social and affordable dwellings<sup>14</sup> by 2051 to accommodate households that are homeless, or are very low income and low income households in rental stress. While the Victorian Government's Big Housing Build is adding capacity, it is not enough to overcome years of under investment. Across Greater Melbourne only 2.3 per cent of the population was in social housing in 2021. "The Big Housing Build aims to increase social housing dwellings in Victoria from 80,500 to about 89,000 – about 3.5% of all housing. That's still less than the Australian average of 4.2% and the OECD average of 6%.<sup>15</sup>"

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<sup>12</sup> Full reference

<sup>13</sup> [https://sgsep.com.au/assets/main/Publications/SGS-Economics-and-Planning\\_Melbournes-Deveopment-Opportunities-Report.pdf](https://sgsep.com.au/assets/main/Publications/SGS-Economics-and-Planning_Melbournes-Deveopment-Opportunities-Report.pdf)

<sup>14</sup> [https://sgsep.com.au/assets/main/SGS-Economics-and-Planning\\_Commonwealth-housing-policy\\_occasional-paper.pdf](https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_Commonwealth-housing-policy_occasional-paper.pdf)

<sup>15</sup> Victoria's \$5.4bn Big Housing Build: it is big, but the social housing challenge is even bigger (theconversation.com)

### **Backlogs in the provision of ‘structural’ infrastructure such as arterial roads and public transport**

The current backlog of key ‘structural’ infrastructure such as arterial roads and key public transport provision or upgrades has left many communities facing long commutes and often significant congestion in accessing school, education and other services. Poor public transport access contributes to car dependence, with all the added costs that this entails.

An example of delays and backlogs in infrastructure provision include the dropping of a commitment to new electrified lines to Melton and Wyndham Vale, serving some of the nation’s fastest-growing suburbs, as part of the “Western Rail Plan” unveiled ahead of the 2018 election

Planning for and provision of infrastructure is struggling to keep pace with high population growth, particularly in a post-Covid context. As noted by Infrastructure Victoria, “Across all infrastructure sectors, high levels of population growth forecast for Victoria are reducing infrastructure planning time horizons”<sup>16</sup>. With Victoria’s population projections consistently being revised upwards, “Plans developed over 10 years ago which aimed to address demand over 20 or 30 years need to be updated as projected 30-year demand is now more likely to occur within the next 15 years.”

### **A lack of integrated land use and transport planning**

In most major metropolitan areas the integration of transport and land use planning is a key aim. The imperative is to ensure that new transport planning and investment is in ‘lock-step’ with spatial directions for new employment and residential development so that sustainable travel mode choices are available where most needed, and that car dependence and travel distances are minimised to reduce the friction and cost of transport. It is about maximising the return from scarce transport dollars.

Transport and land use planning need greater integration in metropolitan Melbourne. This is fundamental to managing a city projected to grow to eight million people in 2050. Melbourne’s public transport network has not kept pace with Melbourne’s growth, notwithstanding new Metro rail investment and incremental expansions or system upgrades elsewhere.

Access to the radial train network has decreased with areas between the rail corridors often not well serviced by bus or tram services. Some major commercial centres and economic clusters remain disconnected by structural public transport, particularly in middle and outer areas.

Melbourne’s outer suburbs are already car dependant and residents face long travel times to access jobs and services. Looking forwards, three quarter of the projected increase in employment to 2030 is forecast to occur in Melbourne’s inner and middle suburbs. At the same time, two-thirds of the population growth is expected to occur in existing growth areas and the inner metro region.

Infrastructure Victoria (IV)<sup>17</sup> estimated there will be an extra 3.5 million extra trips daily across Melbourne’s transport network in 2030, with cars likely to still account for 70% of trips. Time spent on congested roads across Melbourne is forecast to increase by 20% to 2030.

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<sup>16</sup> Infrastructure Victoria (2019) Infrastructure Provision in Different Development Settings Metropolitan Melbourne Volume 1 Technical Paper.

<sup>17</sup> <https://www.infrastructurevictoria.com.au/wp-content/uploads/2019/04/Five-year-focus-Immediate-actions-to-tackle-congestion-April-2018.pdf>

In addition to the environmental and social impacts, road congestion across all roads in Melbourne cost \$4.6 billion in 2015 and is forecast to increase to 10.2 billion 2030<sup>18</sup>. By 2046, around one third of all freight transport in Victoria is expected to occur in congested conditions<sup>19</sup>.

### **Community infrastructure provision is not keeping up with development**

The delivery of services and infrastructure to keep pace with new housing developments is more difficult – not to mention more expensive – in greenfield developments on the urban fringe. This is exacerbated when growth area councils are facing multiple development fronts. This is leaving new developments cut off, sometimes literally, as local roads and other infrastructure aren't delivered in time with new development. Infrastructure contributions need to be fit for purpose to support local government delivery of this critical local infrastructure.

Building new infrastructure in greenfield areas can be up to four times more expensive than adapting existing infrastructure in established suburbs<sup>20</sup>. Alongside this, the sheer scale of infrastructure required, along with the timely delivery of infrastructure in line with housing delivery, is a significant challenge. For example, in the City of Casey, Council has \$3.5 billion worth of assets to maintain and renew, with an estimated additional infrastructure requirement of \$1.5 billion for their adopted Precinct Structure Plans (PSP), with an additional four PSPs yet to be developed.

Shifting development from greenfield to already established areas is a way of providing greater access to existing community infrastructure. Focussing new infill development around existing infrastructure also provides opportunities for co-location or integration opportunities, flexibility of usage of spaces, as well as leverage potential partnership opportunities.

However, increased growth in infill areas also brings significant upgrade challenges, particularly where infrastructure is ageing, no longer fit for purpose or not keeping pace with increasing and changing community needs.

Open space is a clear example. The current level of open space provision in Metropolitan Melbourne is approximately 30sqm per capita. With the forecast increased density in infill areas to 2040, if no additional open space is added, the provision would reduce to 20sqm per capita. Access to high quality, accessible and diverse open spaces is one of the key drawcards to Melbourne and the liveability of the city, let alone the benefits that these spaces provide for wellbeing, social inclusion, and mental health.

There are some significant challenges that need to be addressed with increased population growth to ensure current and future infrastructure has the capacity and ability to service increased demand. This includes understanding:

- **Spatial disadvantage** – including the needs of disadvantaged parts of Melbourne where community infrastructure and services play a critical support role (noting intense disadvantage concentrated in

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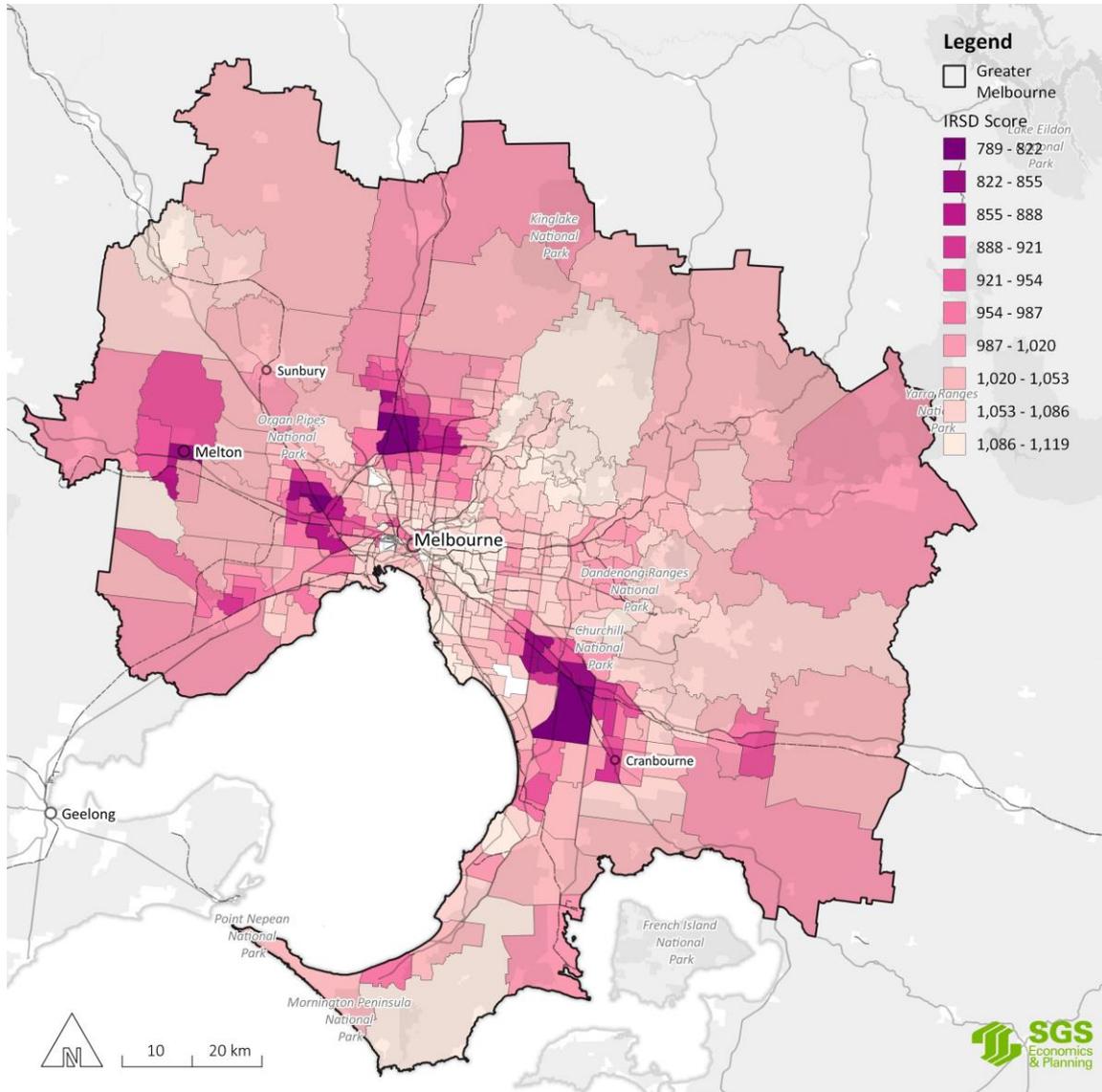
<sup>18</sup> <https://www.infrastructurevictoria.com.au/wp-content/uploads/2020/03/Good-Move-fixing-transport-congestion-Infrastructure-Victoria.pdf>

<sup>19</sup> <https://www.infrastructurevictoria.com.au/wp-content/uploads/2020/03/Good-Move-fixing-transport-congestion-Infrastructure-Victoria.pdf>

<sup>20</sup> Infrastructure Victoria (2023) Our home choices: How more housing options make better use of Victorian's Infrastructure.

recent or new growth areas in the south-west, west, north and south-east of metropolitan Melbourne as shown in Figure 1)

**FIGURE 1: SOCIO-ECONOMIC STATUS**



Source: ABS (2021) Index of Relative Socio-economic Disadvantage (IRSD)

- **Current state of assets** – with ageing or not fit for purpose infrastructure requiring significant maintenance, renewal, and or redevelopment with implications for current and future capital budgets
- **‘Landlocked’ infrastructure** - existing infrastructure is often unable to expand either because no additional land is available (being already developed) or where it might be available is prohibitively expensive to purchase.
- **Coordinated delivery of infrastructure** – integrating and coordinating the provision of state and local infrastructure to maximise the use of buildings and manage costs, will be critical as the

population increases, but this will require both local and state government to be open to alternative delivery pathways, integration of models, flexibility, and in some cases, increased risk.

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 service and community needs.

### Need for additional 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. Heavy rainfall impacts on the road network and severe flooding events leave local governments and communities grappling with recovery, rebuilding, trauma, homelessness and community displacement<sup>21</sup>. Storms and floods impact on food production, urban transport systems and air travel. Extreme heatwaves, alongside the urban heat island, present a significant public health risk exacerbating pre-existing health conditions and an increased loss of life<sup>22</sup> and threaten the livability of urban areas. They lead to increased energy consumption, disproportionately affecting more vulnerable communities, and present a significant economic cost with heatwaves estimated to cost Victoria \$87 million annually in 2018<sup>23</sup>.

### Projected changes in Melbourne's weather by 2050



**Annual rainfall down 8 per cent**



**Increase number of hot days over 35°C**  
Up from 8 days annually 1986-2005 to 16 days annually



**Sea level rise**  
Increase of 12 cm by 2030s & 39 cm by 2070

Source: Department of Environment, Land, Water and Planning (2019). Victoria's Climate Science Report 2019.

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.

Balancing growth with protecting and enhancing the natural environment is critical for a resilient metropolis.

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<sup>21</sup> City of Maribyrnong (2023) Submission to the Inquiry into the 2022 Victorian Floods [https://new.parliament.vic.gov.au/4a7f39/contentassets/8dccd08e37a944e1ba84cd6289579348/submission-n-documents/530.-maribyrnong-city-council\\_red.pdf](https://new.parliament.vic.gov.au/4a7f39/contentassets/8dccd08e37a944e1ba84cd6289579348/submission-n-documents/530.-maribyrnong-city-council_red.pdf)

<sup>22</sup> <https://www.health.vic.gov.au/your-health-report-of-the-chief-health-officer-victoria-2018/environmental-health/heat-health>

<sup>23</sup> IBID

### **Tree canopy which is vital for cooling the city is being lost**

Tree canopy, tree foliage that provides shade and reduces temperatures and mitigates urban heat, is typically vegetation that is taller than three metres. These larger trees are a critical element of sustainable, liveable neighbourhoods. Variation in tree cover across the metropolitan area reflects variations in local environments and different development patterns, past and present. Some areas and populations are also more exposed to urban heat and heat stress; so cooling and greening these areas is critical. Scenario modelling<sup>24</sup> indicates that if we continue current development design, Melbourne will have 13 per cent less canopy by 2050.

While local governments across Melbourne are working to increase tree canopy, there are specific barriers that need to be addressed. This includes limitations in the planning scheme and the ability to influence outcomes on private land, noting that residential land has the largest combined concentration of vegetation and tree cover in Melbourne.

There is also scope for greater consideration of tree canopy and cool surfaces in non-residential development. For instance, car parking areas retain urban heat, are poorly shaded and miss opportunities for significant tree cover. With more direction, car parks and other large hardstand surfaces could provide multiple roles for canopy trees, water sensitive urban design and car parking.

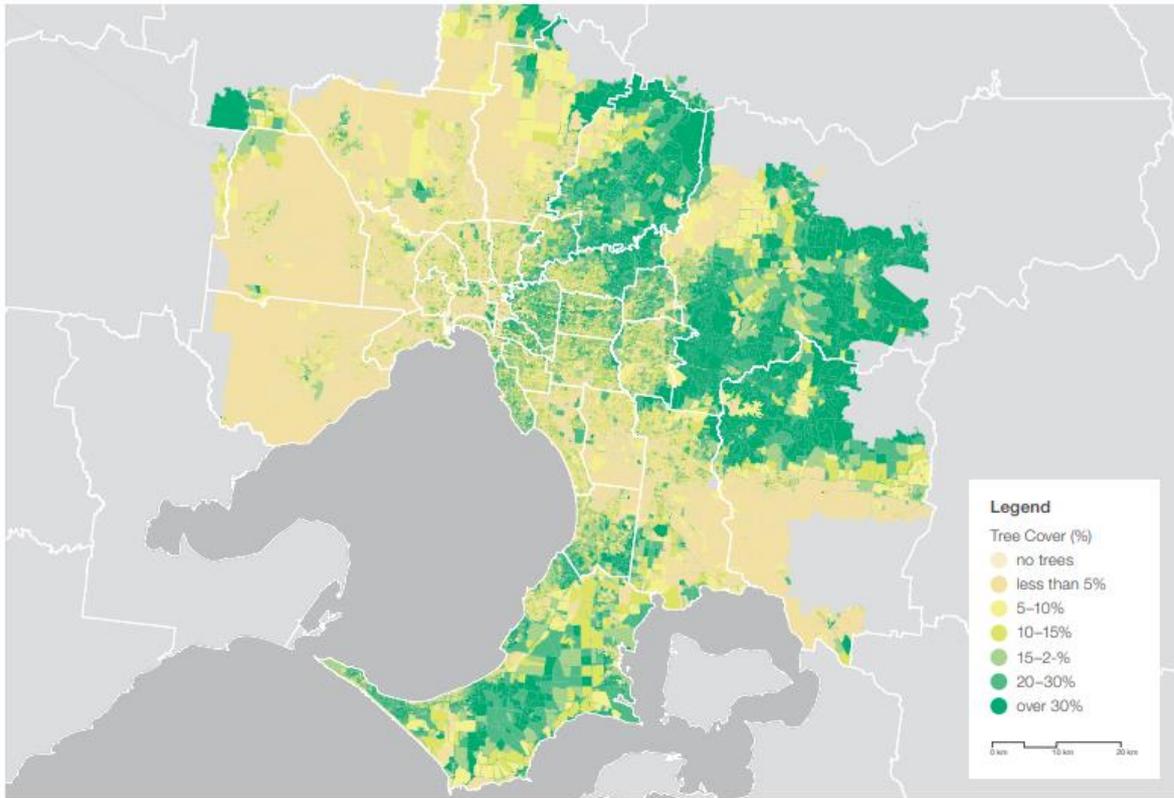
Planting of street trees should be linked to broader urban greening and active transport goals, for example prioritising tree canopy along major walking routes connecting to schools, retail and other services.

When considering the role of tree canopy in urban heat, the spatial inequality in tree cover as shown in Figure 2, takes on even greater meaning. With western suburbs already hotter and drier, the need to increase tree canopy cover to help mitigate the impacts of urban heat becomes critical.

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<sup>24</sup> CRCWSC (2019) Cooling and Greening Melbourne – Future scenarios: Metropolitan Melbourne - Department of Environment Land Water and Planning Melbourne, Australia: Cooperative Research Centre for Water Sensitive Cities

**FIGURE 2: TREE CANOPY COVER**



Source: Hurley et al., Urban vegetation cover analysis Melbourne Metropolitan Region, Melbourne, Department of Environment, Land, Water and Planning, 2018, p. 3. As in Victoria's Infrastructure Strategy 2021-2051.

# 3. The five pillars of metropolitan planning

## 3.1 Overview

Strategic planning for future growth is essential for metropolitan Melbourne, to not only identify how land will be used and developed, but to achieve broader economic, social and environmental objectives. Metropolitan-scale strategic planning should be based on a compelling overall vision for the future structure of the urban area.

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.

Effective strategic planning informs trade-offs between different objectives; identifies the broad extent of the urban footprint; identifies how future employment areas will be distributed and new housing provided to achieve a desired future urban structure; identifies how infrastructure and servicing will support the achievement of the future urban structure; 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 metropolitan planning

The key pillars to support the achievement of the urban development vision, and inform future planning for metropolitan Melbourne are summarised as follows.

1.	Settlement in the landscape
2.	Strong economic and employment clusters
3.	Transport in support of connected and compact cities
4.	Housing choice, affordability, and sustainable neighbourhoods
5.	Infrastructure for resilient communities

The existing Plan Melbourne already addresses many aspects of these five pillars, with agreed and established directions for managing settlement and development. 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 metropolitan strategic planning framework.

### 3.2 Settlement in the landscape

Development and settlement should respect and minimise impacts on the landscape and ecological systems. Ecological sustainability is paramount to the future of all our cities – particularly in the face of climate change and threats to biodiversity. Planning for human activities and the built environment should be framed by the protection of biodiversity, precious landscapes, waterways and natural resource catchments. Trees, natural areas and water should be integrated into urban areas as part of a network of ‘green and blue infrastructure’. Sensitively planning *with* and *for* Country – respecting the Aboriginal approach to stewardship and care of soils, plants and water over thousands of years - is at the heart of this understanding of settlement in the landscape.

#### New directions for metropolitan planning

##### Commit to Planning with Country.

Include a commitment to understanding First Nations cultural and land management practices, and how these can be at the heart of contemporary metropolitan and land use planning, through dialogue and the development of shared knowledge with the Wurundjeri Woi-wurrung, Bunurong and Wadawurrung peoples of the Kulin Nation.

#### Planning with Country

Aboriginal peoples have looked after the Australian landscape for thousands of years. Future development of metropolitan Melbourne needs to plan both *with* and *for* Country, as understood by Traditional Owners and Custodians.

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 a 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, to value and respect their cultural knowledge and to engage First Nations people in co-leading the design and development of built environment projects and public infrastructure.

The NSW Government Architect has recently developed the Connecting with Country Framework,<sup>25</sup> which provides guidance for industry around integrating Country through planning, design, and delivery processes. This is an example of good practice, but there is scope to ‘go further’ and engage Traditional Owners as equal partners in developing and implementing strategic regional and metropolitan plans.

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<sup>25</sup> NSW Government Architect, 2023, ‘Connecting with Country,’ Issue no.02 – 2023, <https://www.governmentarchitect.nsw.gov.au/resources/ga/media/files/ga/case-studies/connecting-with-country-framework.pdf?la=en>

**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 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)<sup>26</sup>. For public areas developer open space contributions should be reformed to provide direct funding to create an interconnected open space network and extend Melbourne’s urban tree canopy<sup>27</sup>.

**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<sup>28</sup>. 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, metropolitan waterways and waterbodies play a critical ecological role and well-planned water sensitive urban design can help mitigate the impacts of flooding events.

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

For both bushfire and flood risk the State should lead the mapping to ensure it informs the extent of urban settlement, and building and planning controls, based on the best available data and science. 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 Plan for Melbourne 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 risk<sup>29</sup>. This has

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<sup>26</sup> <https://www.infrastructurevictoria.com.au/2021/05/05/getting-to-the-root-of-victorias-tree-canopy-struggle/>

<sup>27</sup> <https://www.infrastructurevictoria.com.au/2021/05/05/getting-to-the-root-of-victorias-tree-canopy-struggle/>

<sup>28</sup> Lin, B. (2018). Establishing Priorities for Urban Green Infrastructure Research in Australia. *Urban Policy and Research*.

<sup>29</sup> <http://royalcommission.vic.gov.au/Commission-Reports/Final-Report/Volume-2/Chapters/Planning-and-Building.html>

not yet occurred. While the Parliamentary Inquiry in the 2022 Flood Event is ongoing, a similar recommendation for flood mapping could be expected.

### **3.3 Strong economic and employment clusters**

Significant clusters and concentrations of employment and economic activity are the major determinants of a city's 'structure'. They are the destinations for work, shopping, leisure and business trips and thereby provide a focus for transport planning. Employment is best clustered and located in centres to maximise accessibility to residents and workers, and 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 crucial to the economy and the functioning of cities.

#### **New directions for metropolitan planning**

##### **Elevate planning for a multi-centred city providing more accessible suburban jobs and economic activity.**

A compelling settlement vision which addresses equity and the mismatch between the location of housing and employment opportunities must be based on a strong multi-centred metropolis. The new Plan for Melbourne provides the opportunity to 're-think' the structure of the metropolitan area and which centres should become a major focus for growth and development, in the context of wider economic changes and technological (including Artificial Intelligence) disruptions to transport behaviours, working environments and the nature of work itself.

A multi-pronged program of support for priority economic growth centres might include deepening planning partnerships with councils and providing financial support to meet development objectives, providing transport access investments, relocating or directing government jobs to these centres, government land assembly to create new high amenity, high density precincts, and targeting these centres for national and state housing program expenditures.

##### **Further develop clear monitoring and planning and infrastructure investment guidance to 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. MICLUP is a significant and important strategic planning document and a major advance in providing guidance for industrial and commercial land planning Melbourne. MICLUP should be updated on a five yearly basis and be supported by the availability of real time industrial land development and consumption data.

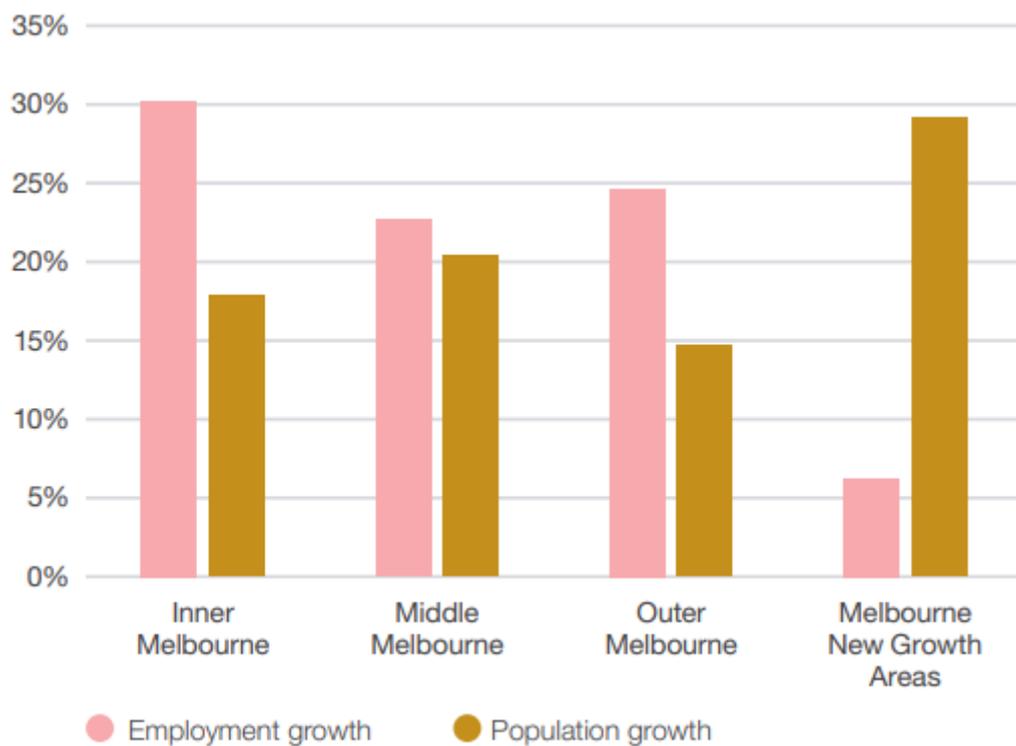
Further work on the industry character or economic role of state and regionally significant precincts or the timing, staging and prioritisation of the precincts, including from an infrastructure provision perspective. This level of detail would make clear the imperative for protecting these precincts now and into the future. Planning for industrial precincts should link to and be informed by transport planning and housing delivery.

Lastly, it is critical that in the push to increase housing in established areas, industrial land and supporting uses are retained, unless their loss can be absolutely justified by evidence and analysis.

### Melbourne’s jobs access divide

Melbourne’s outer suburbs were once engines ‘of inclusion and upward mobility’<sup>30</sup>. Today their distance from major job concentrations, alongside the centralised character of ‘knowledge sector jobs’ is leading to a mismatch in skills and job opportunity for growth areas residents. Looking forward this spatial inequity in terms of access to employment is set to grow. Modelling by Infrastructure Victoria, as shown in Figure 3, highlights the gap between population growth and employment growth in Melbourne’s new growth areas.

**FIGURE 3: COMPARISON OF EMPLOYMENT AND POPULATION GROWTH PROJECTIONS (2018 TO 2051)**



Source: Infrastructure Victoria (2021) Victoria’s infrastructure strategy 2021-2051

<sup>30</sup> SGS Economics and Planning (2023) Melbourne’s Growth Opportunity, prepared for Interface Councils

### **3.4 Transport in support of a connected and compact city**

The transport network, and the travel behaviours and patterns it enables, aligned with planning for employment and housing growth underpins the achievement of a desired urban structure – in Melbourne’s case a multi-centred, compact and sustainable city. An integrated land use and transport strategy is required. It should focus on: minimising trips and trip lengths (by supportive neighbourhood and precinct planning); maximising the use of public transport or non-car based modes for routine and leisure trips (journeys to work or activity centres and event locations); efficient business to business movement for commercial vehicles; minimised and low-impact local private car based travel. Effective transport planning, and the incentives and penalties ‘in the system’, will also drive sustainable changes in travel behaviour and support the transition to less polluting modes such as public transport and electric vehicles.

#### **New directions for metropolitan planning**

**Prepare a Melbourne Integrated Transport Strategy that supports the sustainable settlement vision, multi-centred city structure and housing future established by the Plan for Melbourne.**

Amongst other aims the Integrated Transport Strategy should demonstrate how it will:

- minimise trips and trip lengths
- maximise the use of public transport or non-car based modes for routine work and shopping, and entertainment, recreation and leisure trips
- support efficient business to business movement for commercial vehicles
- minimise local private car based travel and its impacts
- drive sustainable changes in travel behaviour and modes including the decarbonization of the transport.

A Transport Strategy integrated with the Plan for Melbourne would identify an investment and network plan for:

- public transport (including the roles and functions of rail/metro/SRL), tram/light rail and expanded bus services
- roads and in particular the management of freight and commercial traffic
- ‘e-travel’ and active transport (particularly cycling).

It should prioritise and provide the support tools for place planning (aligned to pillar 4 on sustainable neighbourhoods) alongside transport planning for ‘movement’. It should include incentives and penalties to drive efficient investment in the transport network and sustainable, less polluting travel behaviours.

### **An identified need and legislated requirement for integrated transport planning**

An integrated transport strategy is required to address the gaps in the current system and to guide the delivery of the transport infrastructure required to support Melbourne's growth. As noted in Infrastructure Victoria 2021-2051 Infrastructure Strategy "Integrated land use and infrastructure planning has been a Victorian Government goal for some time. For example, it is specifically mentioned in the Transport Integration Act 2010 and Victorian planning strategies such as Plan Melbourne. However, it is still not always evident in practice."<sup>31</sup>

In 2013 the Victorian Auditor General's Office found that "Over many years, the state has failed to deliver the transport infrastructure and services needed to support rapidly growing communities. This is adversely impacting accessibility and risks the future liveability of metropolitan Melbourne. Urgent action is required to address this serious problem. Inadequate public transport and growing gaps in the road network in these communities are creating barriers to mobility, including access to critical services, education and employment opportunities."<sup>32</sup> It was estimated that over \$18 billion of state level transport infrastructure and services was required for greenfield sites in 2013, excluding the cost of maintenance and renewal"<sup>33</sup>. For growth areas these challenges remain.

Government investment in transport infrastructure should be a catalyst for housing delivery and to facilitate the delivery of critical infrastructure. For example, the new rail projects and level crossing removals (72 of the 110 identified have been completed) present a significant opportunity that has not yet been fully realised. These projects could be delivering colocation of residential and affordable housing, new community infrastructure, and an increase in open space.

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<sup>31</sup> 2.1 Integrated Land Use and Infrastructure Planning - Infrastructure Victoria

<sup>32</sup> Developing Transport Infrastructure and Services for Population Growth Areas | Victorian Auditor-General's Office

<sup>33</sup> Developing Transport Infrastructure and Services for Population Growth Areas | Victorian Auditor-General's Office

### 3.5 Housing choice, affordability, and sustainable neighbourhoods

Since the mid 20<sup>th</sup> century planning for new housing in Melbourne has mostly been about developing new suburbs on the fringe of the city. New suburbs were dominated by detached family housing dependent on car ownership and use. A number of trends have impacted housing markets and preferences. These include changing patterns of employment (with a greater share of jobs concentrated in the central city), changing demographics (with smaller households), reduced home ownership and housing affordability (as housing has increased its investment status) and new patterns of working (more female participation, the opportunity to work from home, more casualisation and more service-oriented employment). The outward growth of the city is less sustainable, and more costly for society. The challenge of building more housing in the established areas – ‘going up as well as out’ – is now perhaps the major focus of metropolitan and settlement planning. But 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 metropolitan planning

**Nominate aspirational housing capacity targets by municipality to guide local planning, to demonstrate achievement of the settlement vision including 70% infill and 30% greenfield metropolitan wide split.**

The Plan for Melbourne 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 including the aim for 70% infill and 30% greenfield development (within the nominated Urban Growth Boundary)
- An aspirational split for future housing development between:
- Immediate, walkable areas in and around the different types of activity centres (this is where the majority share of future development should be focussed)
- Scattered infill and suburban areas
- Broadly satisfying overall housing preferences and the need for housing diversity, and the provision of social and affordable housing
- Employment and services accessibility
- Infrastructure capacity
- Future supportable land economics/development feasibility.

Engagement with councils to establish the targets would be expected.

Detailed guidelines for how to convert capacity targets to appropriate development controls, including locational criteria to inform renewal and precinct planning, 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 apartments suited to children, people with disabilities and ageing households.

**Further develop activity centre and neighbourhood planning approaches based on explicit housing diversity, social and affordable housing, open space, community infrastructure, active transport and net zero carbon targets.**

This is the good planning lens that takes 20 minute neighbourhood planning to the next level and needs to accompany aims to boost housing supply. New housing development should be focussed in well-serviced areas for public and active transport modes. Households need access to open space, services, community infrastructure, job opportunities and social connections. Zero carbon and climate resilience should be embedded in planning for growth precincts and urban renewal. The difference from past approaches is that these outcomes need to **be explicit and measurable**. This also means appropriate state and local government commitments to outcomes, plus engagement with local communities.

**Expand the mechanisms available to achieve precinct based rather than ‘lot-by-lot’ infill development.**

A significantly expanded set of tools and mechanisms need to be developed to address the infill development challenge, while also achieving high quality design and neighbourhood development outcomes. Lot by lot development responses will not be sufficient; block and precinct level development approaches are required. These include:

- utilising open space contributions to create new open space, tree planting and pedestrian connections
- density incentives for lot amalgamations (including the Greening the Greyfields type approaches adopted by Maroondah Council)<sup>34</sup>
- incentives for multiple lot amalgamation conditional on precinct-based approaches which achieve housing diversity, new open space, deep soil areas for tree canopy, reduced car usage and pedestrian-friendly streets
- investigating and utilising mechanisms which pool development rights across precincts to allow for variable densities and development outcomes but which equalise returns on a site-by-site basis.
- reducing car use in major redevelopment precincts including establishing maximum car parking rates, pricing mechanisms for car parking provision above maximums, centralised parking provision, on-street and resident parking management and considering development proposals with limited or no on-site parking in areas proximate to public transport

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<sup>34</sup> <https://yoursay.maroondah.vic.gov.au/gtg1>

### **Lot by lot infill development is undermining liveability and 20 minute neighbourhood aims**

In general terms conventional planning pathways for infill housing are working against the achievement of the 20-minute neighbourhood 'hallmarks'. The key barrier is the existing lot and subdivision patterns in suburban contexts, which are dominated by long narrow blocks meant for detached houses.

Conventional lot by lot development tends to lead to uniform, attached (side by side or back-to-back) large duplex houses, or villa units 'down' the block. The aggregate outcome across a block or precinct is a 'squeeze' on private open space (and the potential for expanded tree canopy), no new public space, no additional precinct 'walkability' from new lanes or streets, and a lack of housing diversity.

The state government's Future Homes program provides four sets of readymade architectural designs which can be purchased by developers and adapted to two amalgamated traditional house sites through a streamlined planning process. In the Housing Statement this program was expanded and now applies in locations close to transport and activity centres. There are barriers to the uptake of this program, including the need to acquire two sites and amalgamate them, as well as feasibility considerations (the build cost given the specifications, notwithstanding the streamlined development pathways, may limit the locations where the projects are viable)

An alternative range of options and interventions is required, to achieve precinct-based development outcomes where a range of objectives can be met including a mix of housing types, additional open space and streets and lanes for walking and cycling, integrated approaches to car parking and inclusion of affordable and adaptable housing.

### **3.6 Infrastructure for resilient communities**

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

Community infrastructure is the collective spaces and programs through which people socialise, learn, recreate, create, and celebrate culture. It is the sum of 'hard' infrastructure (community facilities) and 'soft' infrastructure (community services and programs). This includes places such as: kindergarten, childcare, maternal child health, youth services, seniors services, library, schools, higher education, health services and hospitals, performing arts spaces, indoor recreation centres, active recreation reserves, pavilions and stadiums, and passive open spaces.

Local governments have largely been tasked with financing the delivery, servicing, and management of local community infrastructure but face increasing financial pressures that impact their ability to increase their asset capacity, as well as renew and maintain existing assets. These financial pressures are a result of a range of outcomes such as rate capping, increased delivery responsibilities, increasing infrastructure costs, increasing service demands, market failure, and increasing community expectations.

Councils face a financial and planning challenge of providing new or upgraded infrastructure in both infill and greenfield growth contexts, but also in providing backlog or vital support services and infrastructure to communities experiencing social and economic disadvantage.

#### **New directions for metropolitan planning**

##### **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.

##### **Establish state guidance for open space contributions.**

Currently there is no State Government guidance for the quantity of open space required across Metropolitan Melbourne, even while the level of available open space per capita is reducing as communities continue to grow. 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.

**Commit to a program of state level community infrastructure support for greater infill development and support for disadvantaged areas.**

This would be provided on a needs basis as identified through best practice place planning for renewal and activity centre areas, prepared in accordance with the achievement of the design and livability targets mentioned earlier.

## 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 city.

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 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 (for example VCAT acting as a constraint on council and Ministerial action).

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 metropolitan 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).

### **An insufficient metropolitan ‘voice’**

On the significant matters in a Plan for Melbourne, such as major employment precincts and activity centres, renewal areas transitioning with new housing, and city-shaping state infrastructure investment a metropolitan perspective is necessary. It could be argued that the State Government with its state-wide mandate is constrained in speaking without inhibition for a metropolitan constituency, particularly compared to local Councils who can champion their local communities. A metropolitan voice and vehicle would support effective implementation of a metropolitan plan.

The great cities and metropolises of the world have metropolitan governance arrangements, allied with local governance. For example, the Greater London Authority, Tokyo Metropolitan Government and City of New York all have metropolitan-wide strategic plan-making and transport planning functions, in parallel with local authorities having responsibilities for local places.

### **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.<sup>35</sup>

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.

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<sup>35</sup> 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.

### **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 metropolitan 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.”<sup>36</sup>

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.

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<sup>36</sup> 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](https://fvtoc.com.au/wp-content/uploads/2023/05/1413_FVTOC_Treaty_Paper_6_final.pdf)

### **Establish a metropolitan planning, coordination and implementation vehicle**

A comprehensive metropolitan plan needs effective metropolitan level governance and coordination. A dedicated focus on preparing and implementing the plan and its priorities is required. A spectrum of options 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. A more advanced reform would be recasting the Victoria Planning Authority, giving it a tighter metropolitan focus and a new board with majority State but also Local Government elected representatives. A more significant reform would be a brand new metropolitan authority, with a 'state-local' democratic mandate and wider plan-making, infrastructure coordination and 'metro-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 Plan Victoria would play an active role in land purchase and development in greenfield and infill areas, including a focus on land assembly, demonstration projects, and partnering with developers to prepare land for development or make it ready for development. It would play a role in delivery and development to achieve the aims of the Plan for Melbourne and projects of state or metropolitan significance. This means it would prioritise net community benefit (social, environmental and economic outcomes) over narrow commercial returns.

### **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.

Examples of indicators to which targets could be attached include the following, for each pillar.

<b>Settlement in the landscape</b>	Areas confirmed as climate hazard free for development Tree canopy
<b>Strong economic and employment clusters</b>	Share of all Melbourne jobs in 'Interface Council' areas Average journey to work travel times
<b>Transport in support of connected and compact cities</b>	Share of journey to work trips by public transport Share of all trips by walking or cycling
<b>Housing choice, affordability, and sustainable neighbourhoods</b>	Share of all dwellings that are social housing. Share of all dwellings within a walkable catchment to activity centres Progress to zero emissions
<b>Infrastructure for resilient communities</b>	Progress to per capita parity in social infrastructure provision for residents in Interface Council areas Share of residents disadvantaged by location

### 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.<sup>37</sup> 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
- 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

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<sup>37</sup> 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.

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.**

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

## Best Practice Planning System Design

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.<sup>38</sup>

**FIGURE 4: ALIGNMENT OF RESPONSIBILITIES AND SYSTEM RESPONSES IN THE PLANNING SYSTEM**

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

<sup>38</sup> 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).

### **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 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.

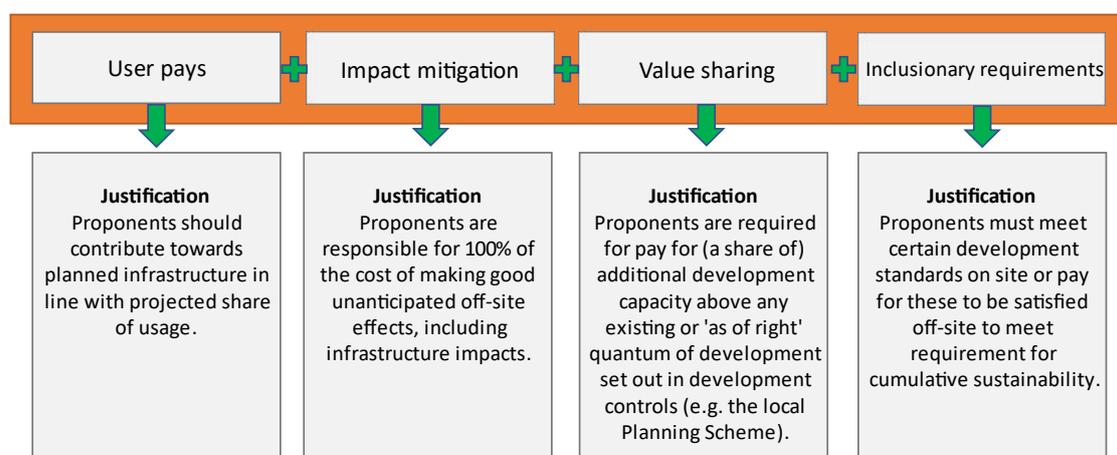
## 4.4 Infrastructure Funding

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 in general fall into one of four mutually exclusive and additive categories, as shown in Figure 5.

**FIGURE 5: 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 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 renewal 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 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 rights<sup>39</sup>. 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. This was to provide funding for approximately 1,700 new social housing units annually.<sup>40</sup> This was in effect a widely applied inclusionary levy. This landmark reform was abandoned a week later.<sup>41</sup>

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<sup>39</sup> 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](https://nhsac.gov.au/_assets/downloads/barriers-to-institutional-investment-report.pdf)

<sup>40</sup> Building a Secure Housing Future for Victoria, <https://www.premier.vic.gov.au/building-secure-future-social-housing-victoria>

<sup>41</sup> 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% 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.

**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, renewal area, suburban infill and 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 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, 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.

## 4.5 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.<sup>42</sup>

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.

As the dataset document points out:

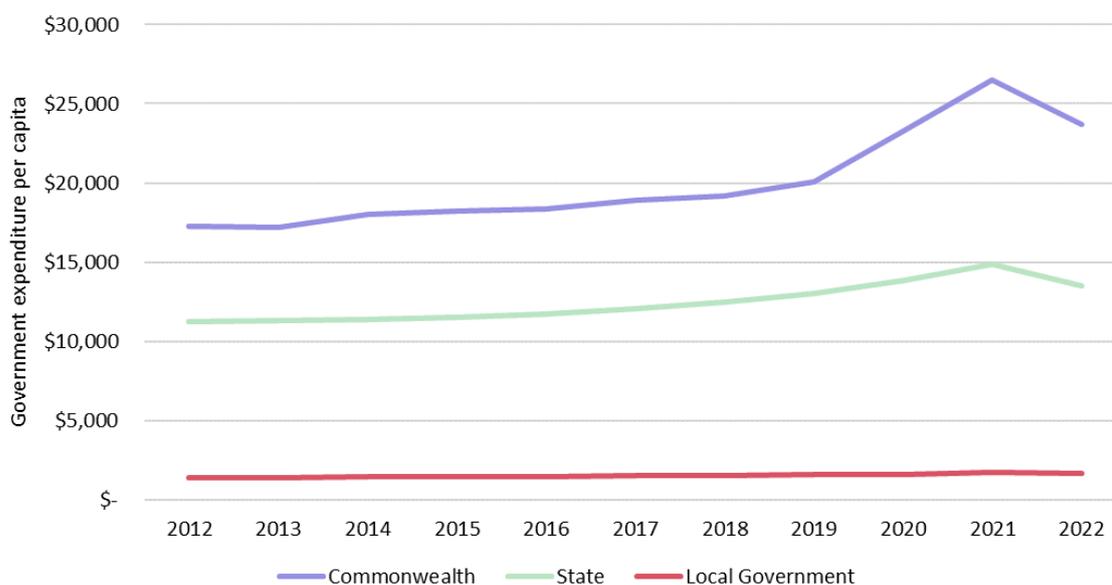
Councils are often perceived as being financially strong based on total cash holdings. It is critical to understand that much of this cash is 'restricted' in nature, linked to statutory or contractual obligations such as developer contributions for the funding of infrastructure. Unrestricted cash has 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 6 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.

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<sup>42</sup> The Sustainability Gap – the financial health of Victorian councils, <https://new.parliament.vic.gov.au/4ad645/contentassets/af06ba8f75c9461cbcc882e54ae82b8d/mav---handout.pdf>

**FIGURE 6: 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’.<sup>43</sup>

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’<sup>44</sup>. This shortage of planners is being felt in metropolitan Melbourne and by most councils.

<sup>43</sup> 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>

<sup>44</sup> 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](https://www.mav.asn.au/__data/assets/word_doc/0019/24256/Submission-to-Red-Tape-Commissioner-Planning-and-Building-Approvals.docx)

## **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.

## 5. Whole of government operational plans

A Plan for Melbourne that fully addresses 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 also establish new capacity for effective implementation across government and local government, enabling a greater ‘whole of government’ and coordinated capability than currently exists (noting also the current fragmentation of responsibilities discussed earlier in section 4.2 and in Appendix 1).

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

### 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.

#### Strategic plans to set directions

Plan Victoria			
Mallee	Loddon Mallee South	Hume	Gippsland
Wimmera Southern Mallee	Loddon Mallee South	Metropolitan Melbourne	
Great South Coast	G21		

#### Operational plans to guide actions

<ul style="list-style-type: none"> <li>• Develop operational plan for each region</li> <li>• Identify priorities and actions to operationalise the strategic plans</li> </ul>			
<ul style="list-style-type: none"> <li>• Designate roles, responsibilities, and timelines,</li> <li>• Developed via whole of government process</li> <li>• Accountability through monitoring and review</li> <li>• Updated regularly</li> </ul>			

# 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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