



# **Review of ownership and management arrangements of Hanging Rock Reserve and East Paddock**

24 November 2015

# 1. Executive summary

## The review

The Department of Environment, Land, Water and Planning (DELWP) engaged PPB Advisory to review the governance, finance and community engagement arrangements of the Hanging Rock Reserve and the adjacent East Paddock.

Extensive stakeholder input was provided through meetings, forums, a community listening post, public workshops and public submissions.

## Context

Hanging Rock has a long and important cultural history, and is appreciated for its unique blend of environmental, recreational, social and heritage values.

Macedon Ranges Shire Council (MRSC) is the Committee of Management for the Hanging Rock Reserve, and relies on the Hanging Rock Development Advisory Committee for engagement with those stakeholders who are most relevant to significant decisions affecting the site.

Where a local council acts as a Committee of Management, we would expect to see arrangements to ensure:

- Committee of Management decisions are made separate from Council business
- the interests of all stakeholders (including those not from the local council area) are taken into account by the Committee of Management.

MRSC owns the adjacent East Paddock and manages it in an integrated way for the benefit of the Hanging Rock Reserve. The East Paddock allows a number of activities to be moved away from the immediate Hanging Rock vicinity, maintaining or enhancing the Rock's values, particularly its environmental values. The East Paddock also provides an area for significant revenue-raising events and activities which help fund the Hanging Rock operations and/or assist in promoting visits to the Reserve.

## Extracts from stakeholder feedback (provided in full in the report)

- Hanging Rock has unique and important environmental values, which should be preserved and enhanced within a larger context, including the wider Macedon Ranges and adjacent bio links.
- The whole reserve needs lasting protection from pressures (such as inappropriate development) that would compromise its environmental values.
- There is scope to improve how the Committee of Management manages the site's environmental values. Some significant improvements can be made through small changes on the ground.
- Project planning and coordination should include greater engagement with people and groups in the community, who could bring valuable supplementary knowledge and skills, including environmental knowledge and skills.
- The Committee of Management could be more responsive to local input and concerns, and could include environmental representation on the Development Advisory Committee, separate from the Friends of Hanging Rock which has a broader interest.
- Concerts at East Paddock are a boon for nearby Woodend and the wider Shire, are professionally run, and help put Hanging Rock on the international map. Positive tourism and economics benefits have been demonstrated through economic impact studies and supported by the Reserve's 'Certificate of Excellence' on Trip Advisor.
- Facilities and access could be enhanced – i.e. power, drinking water, lighting – leading to better experiences for visitors, employees and emergency services.

- Council provides real and meaningful support for events and works well with sporting and recreation groups.
- Many stakeholders commended MRSC on how it managed diverse (and sometimes competing) interests relating to the Rock and the local community.
- Numerous stakeholders identified ways to improve the governance of the Reserve, especially in relation to representation, strategic planning, community engagement and financial transparency.
- There was broad consensus that more work needs to be done to engage with traditional owners, especially in relation to cultural heritage and education.
- There was broad consensus that the Hanging Rock Reserve and the East Paddock should continue to be managed as a single, integrated precinct.
- Some stakeholders stated that several relevant strategic plans were either in development or out of date, and that this contributed to ‘ad-hoc implementation’, especially in relation to conservation and environmental management.
- There was a common view that the Reserve’s finances should be more transparent, including separation of the finances from the main MRSC budget and separate reporting.
- Many stakeholders said they were aware of financial pressures and challenges facing the site and how it is used, but many also expressed opposition to raising greater revenue through means such as higher entrance fees and business development.
- MRSC has sought additional resources for Hanging Rock, i.e. for the development of a master plan and culture values assessment.
- Many stakeholders felt that the Committee of Management had made mis-steps in its community engagement historically.
- Several stakeholders emphasised that MRSC representatives and staff were responsive and helpful on an individual level, and were “doing their best with limited resources”.

**The following dimensions of options were considered**

<b>Options for East Paddock</b>	Vest Reserve in Council as trustee Incorporate East Paddock into the Crown Reserve Sell East Paddock
<b>Objectives of committee mandate</b>	Leave as is More tourism/recreation focus More environmental conservation More locally focussed
<b>Who should be the committee of management?</b>	MRSC MRSC plus others Community-based Skills based Other entity

<b>Development Advisory Committee</b>	Status quo Expanded membership Purpose of committee Name Abandon advisory committee
<b>Funding options</b>	Self sufficiency State contribution MRSC contribution
<b>Financial/operational reporting</b>	Status quo Reporting to state government Public reporting
<b>Involvement of others</b>	Local community interests Environmental interests Traditional owners User/sports groups

### Three 'core' options were then examined

- **Option 1:** Retain MRSC as the committee of management while making important changes to site management and governance
- **Option 2:** A new Committee of Management
- **Option 3:** Parks Victoria to manage the Reserve

There are a number of changes that we consider should be made regardless of which option is pursued. These are:

- New master plan for the precinct (including East Paddock if MRSC is retained as the Committee of Management) with statutory force – to provide a comprehensive framework for how the site will be used and managed
- Government to update/clarify priorities for the site in terms of balancing objectives
- An agreed stakeholder engagement plan specific to the site
- Cultural values study
- Any chosen option or set of options should achieve improved transparency of finances.

Option 1 was assessed as the most advantageous in net terms, subject to the following steps being taken:

- A new explicit direction from Minister, setting out the range of values that are to be pursued, and with guidance on how to balance them
- Separate meetings and minutes (i.e. separate from other council business)
- Meetings are open to the public, and minutes are published (unless confidential matters warrant in-camera arrangements)
- 'Development Advisory Committee' becomes 'Strategic Advisory Committee' with broader mandate and representation, including of environmental stakeholders

- Separate audited accounts are published, and there is greater financial transparency of expenditure, capital works planning
- Fees, charges and leases should be reviewed, and opportunities for cost recovery and enhanced performance of existing commercial assets should be considered.

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## 2. Terms of reference and approach

### Review of ownership and management arrangements of Hanging Rock Reserve and East Paddock

As part of its 2014 election commitments, the Victorian Government promised to examine the management of Hanging Rock to ensure that the historic site is safe from the threat of inappropriate development. The Government said it would review the entire management of the site – including the East Paddock – in consultation with the local community and stakeholders, to determine a new governance structure.<sup>1</sup>

The Department of Environment, Land, Water and Planning (DELWP) engaged PPB Advisory to review the governance, finance and community engagement arrangements of the Hanging Rock Reserve and the adjacent East Paddock.

The map below shows the area of interest to this review. Hanging Rock Reserve is bounded by Colwells Road to the North, South Rock Road to the South, and the 'East Paddock' to the East. The Western Boundary of the Hanging Rock Reserve abuts private properties.



Source: adapted from [visitmacedonranges.com](http://visitmacedonranges.com)

This review is forward looking. Its primary purpose is to identify options that meet the needs of the Hanging Rock Reserve into the future; it is not an assessment of whether past actions have been right or wrong.

Our report presents analysis and options regarding appropriate structures, governance, financial and administrative arrangements for future management of the reserve.

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<sup>1</sup> Media Release, 13 August 2014.

Our approach to the review has been to:

- listen to what the community thinks is special about the site, what needs to remain and what needs to change to meet future needs. We consulted the local community, sporting and other user groups, tourists, traditional owners, state government and local council representatives
- determine the arrangements currently in place for the management of Hanging Rock to determine opportunities for improvement
- identify feasible options that could be applied in the future, looking at what these options bring in relation to governance, accountability, representation, community involvement and confidence, and financial management.

### **Stakeholder participation in the review**

The review's stakeholder input has been open and extensive. The input was provided through a range of meetings, forums, a community listening post, public workshops and public submissions. During our review, we discussed with a large and diverse range of stakeholders their views, concerns and expectations for the future of the Hanging Rock Reserve (some on multiple occasions). We received 167 written submissions from interested parties. Consulted stakeholders have included:

1. Macedon Ranges Shire Council councillors
2. Macedon Ranges Shire Council executive and staff
3. Traditional Owner Groups and Native Title Services
4. Community groups – such as Friends of Hanging Rock, Hanging Rock Action Group, and Macedon Ranges Residents' Association
5. Environmental stakeholders such as Landcare
6. Emergency management stakeholders such as the Newham and Mt Macedon and Districts Fire Brigades
7. Event organisers
8. Kyneton and Hanging Rock Racing Club
9. Hanging Rock Tennis Club
10. Hanging Rock Petanque Club
11. Macedon Ranges Car Club
12. Tourism stakeholders (local and shire)
13. Shire residents (a variety of long-term and new residents, some of whom who live near Hanging Rock, and others who live in the broader shire)
14. Non-shire residents and regional stakeholders.

Engagement with stakeholders was sought and encouraged on multiple occasions. All stakeholders received invitations, and regular review and engagement updates.

(While most of the key stakeholders were closely involved in providing input into the review, the following stakeholders did not take up the opportunities to engage: Hanging Rock Café lease/operator; Heskett Cricket Club; Start to Finish race organisers; Hanging Rock Winery; and Craft Markets. We anticipate that these and other stakeholders will have further opportunities to participate in the policy and planning processes for Hanging Rock, including through direct engagement with MRSC and DELWP).



### 3. Why is the site important?

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The place we know today as 'Hanging Rock' has a long and important cultural history. The first Australians found shelter there and regarded it as a special place. The Macedon Ranges has a strong indigenous history, with evidence that Aboriginal people have lived in the area for at least 26,000 years. Tribal clans, mainly the Wurundjeri, Dja Dja Wurrung and Taungurung, roamed along the grassy waterways of this region to hunt, fish and gather food. An important landmark at the border of several Aboriginal territories, Hanging Rock was the site of large gatherings for initiations, trade and marriage ceremonies. It was also a place of trade between Aboriginal tribes, with the last witnessed inter-tribal gathering at Hanging Rock taking place in 1851.

Named Mount Diogenes by Robert Hoddle and also known as Dryden's Rock locally, it has continued to be a place of mystery and a magnet for visitors, an "intriguing spot for picnics, sporting events and adventure".<sup>2</sup>

The rock itself, a mamelon created by ancient volcanic activity, is dated to be around 6.25 million years old. The rock formations are of global interest. The surrounds are home to a range of native flora and fauna. Hanging Rock Reserve contains one of the few remaining remnants of the vegetation in the area between the Macedon range and the Cobaws prior to European settlement.

In May 1991, the Hanging Rock Reserve was placed on the Register of the National Estate, with the nomination from council noting its "world significance".<sup>3</sup> In March 2015, on the nomination of the Hanging Rock Action Group, the Hanging Rock Reserve was added to the Victorian Heritage Register, being recognised for its historical, aesthetic and social significance to the State of Victoria.

The application to list the Reserve on the Heritage Register noted the site's significance at the State level, satisfying the criteria of 'importance to the course, or pattern, of Victoria's cultural history', 'importance in exhibiting particular aesthetic characteristics' and 'strong or special association with a particular community or cultural group for social, cultural or spiritual reasons'.

Stakeholders consulted in this review agreed on the following facts and observations about the significance of Hanging Rock:

- Hanging Rock has long been known and enjoyed as a formal and informal gathering space, and is valued by people near and far.
- The Rock is of significant importance to indigenous Victorians, who regard the precinct as their "university, supermarket and chemist".
- Hanging Rock is a unique and special place – people spoke of its rare geology, its rawness and wildness, its mystery and spirituality, and its status as a memorable and identifiable landmark.
- The original intent of the Reserve may have been focused on recreation, but there is a growing awareness of the Rock's environmental values.
- The Rock's special values need to be protected through wise, strategic, sustainable management.
- Challenges exist around finding the right balance between recreational, cultural, social, heritage and conservation values.

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<sup>2</sup> The Hon Sir R Hamer, foreword to *The Hanging Rock* by Marian Hutton, 1991.

<sup>3</sup> <http://www.hrag.info/wp-content/uploads/2014/06/Hanging-Rock-Nomination-Register-of-the-National-Estate-05-01-1978.pdf>

## 4. Current management arrangements

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### Background

The contractual and administrative histories of the Reserve and East Paddock are complex.

The Hanging Rock site was purchased by the Victorian Government in 1884<sup>4</sup> and permanently reserved from sale under the *Land Act 1869*. A Grant of the land was given to the Board of Land and Works and the Shire of Newham in 1884, who acted as trustees, with the Shire (becoming the Shire of Newham and Woodend in 1904) managing the site.

The Reserve land was surrendered to the Crown in April 1956 (by letter of surrender from the Shire). Upon surrender, the Crown grant of the land became revoked, made void and annulled and the land deemed to be unalienated land of the Crown. Despite this, the land is still held under restricted crown grant Vol 1669 Fol 746 in the name of the Board of Land and Works and the President, Councillors and Ratepayers of the Shire of Newham (now Macedon Ranges Shire Council by succession).

Following surrender of the grant, the Shire of Newham and Woodend was appointed as the Committee of Management in August 1956.<sup>5</sup> Between 1959 and 1990, the membership of the Committee of Management was changed to formally include three members of the Hanging Rock Racing Club. Following concerns about the liability of individual Committee members and the ability to incorporate the Committee, the Committee of Management was constituted solely as the Corporation of the Shire of Newham and Woodend from 1991. In 1995 the Shire of Newham and Woodend was consolidated into the new Macedon Ranges Shire Council (MRSC), which is the current Committee of Management for the Reserve.

The East Paddock is an area of approximately 56 acres (22.7 hectares) adjacent to the Hanging Rock Reserve. It was formerly used for farm grazing until it was bought by the Shire of Newham and Woodend in 1990.

### Committee of Management

The primary duty of the Committee of Management is to manage, improve, maintain and control the land for the purposes for which it is reserved.<sup>6</sup> The Gazette notice in 1884, which notified that the site was permanently reserved, stated that the reservation was to provide a site for public recreation and for affording access to water.<sup>7</sup>

While the appointed Committee of Management for the Hanging Rock Reserve is the MRSC, its powers and responsibilities in relation to the site are found in the *Crown Lands (Reserves) Act 1978*, and are distinct from any operation of the *Local Government Act 1989*.

The MRSC councillors formally constitute as a whole the membership of the Committee of Management. However, the day to day management and operational decision making in relation to the Reserve is carried out by MRSC staff. This includes staff within council who have duties across wider council activities, as well as staff dedicated or predominantly engaged with the Reserve.

Within the council structure, most administrative matters in relation to Hanging Rock reside within the Sport and Recreation Department (previously 'Parks and Recreation' and 'Environment and Recreation' departments), however the Council adopts an integrated approach, and coordination occurs across other areas of Council as required, such as planning and environment. Matters for decision by the Committee of Management are coordinated as part of regular Council business through the CEO and executive.

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<sup>4</sup> The portion of the site east of the rock (approximately where the racecourse is) was temporarily reserved in 1870 (Victorian Government Gazette, 3 June 1870, page 820) in order to ensure access to a natural spring.

<sup>5</sup> Victorian Government Gazette, 1 August 1956, page 4279.

<sup>6</sup> Crown Land (Reserves) Act 1978, s.15.

<sup>7</sup> Victorian Government Gazette, 28 November 1884, page 3210. The complete Grant referred to providing "a place for the recreation and amusement of our subjects and people and for the convenience of affording access to water to our subjects and people".

### *Dual duties*

Local councils exist to ensure the peace, order and good government of each municipal district.<sup>8</sup> Under the *Local Government Act 1989*, a local council is responsible and accountable to its local community.<sup>9</sup> The primary objective of a local council is to endeavour to achieve the best outcomes for the local community.<sup>10</sup>

State government ownership of the Hanging Rock Reserve, and its status as reserved land, establishes a duty of custodianship to manage the land on behalf of all Victorians. There is an inherent tension in a local council acting as a Committee of Management for a state-owned reserve. This tension is best illustrated if the duties were separated: a local council could make a decision for the benefit of the local community that adversely affected the wider state interests in the reserve, and conversely a Committee of Management could make a decision to improve the reserve that has an adverse impact on the local community. When decisions are made by the same body, there is a risk that the interests that are subject to regular elections by voters are given priority over the wider interests.

Nevertheless, throughout Victoria it is common for councils to act as Committees of Management for crown reserves, and indeed the *Crown Land (Reserves) Act* specifically excludes competing duties from amounting to a conflict of interest under the *Local Government Act*.<sup>11</sup>

However, this exemption from conflict of interest does not render the Committee of Management's primary duty in relation to the Reserve meaningless. The *Local Government Act* includes a function of local councils to act as responsible partners in government by taking into account the needs of other communities (s. 3D(2)(e)).

Therefore, where a local council acts as a Committee of Management, we would expect to see arrangements to ensure:

- Committee of Management decisions are made separate from Council business
- the interests of all stakeholders (including those not from the local council area) are taken into account by the Committee of Management.

In relation to the first point, we identified that, prior to 1991, meetings of the Committee of Management were conducted separate from meetings of the Council, most likely because of the joint membership of members of the racing club. The Committee of Management maintained separate agendas, minutes and budgets. Meetings of the Committee of Management were held regularly.

Currently, all business of the Hanging Rock Committee of Management (meetings and decisions) are subsumed within regular meetings of MRSC, with councillors relying on specific agenda items to deal with particular Hanging Rock business items. We understand there is no standing agenda item for Hanging Rock business at each Council meeting, such as status reports. We note that these meetings of Council are open to the public, thereby making more transparent the decision making that affects the Hanging Rock Reserve.

To ensure the wider interests in the Reserve are identified and considered, the Council relies predominantly on the Hanging Rock Development Advisory Committee.

### *Hanging Rock Development Advisory Committee*

MRSC, in its capacity as the Committee of Management, relies on the Hanging Rock Development Advisory Committee for engagement with those stakeholders who are most relevant to significant decisions affecting the site.

The origins of the Hanging Rock Development Advisory Committee date back to the early 1990s. The 1993 Management Plan (page 54) recommended a "Hanging Rock Advisory Committee" to provide local and specialist input into management of the Reserve. Recommended membership was the Friends of Hanging Rock, Macedon Ranges Conservation Society, the Head Ranger, Hanging Rock Racing Club, representatives of the other sporting clubs, a representative of the Victorian Climbing Club, and the relevant Victorian government department.

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<sup>8</sup> Local Government Act 1989, s. 1 (Preamble), s. 3A; Constitution Act 1975 s. 74A(1).

<sup>9</sup> Local Government Act 1989, section 1(3).

<sup>10</sup> Local Government Act 1989, section 3C(1).

<sup>11</sup> Crown Land (Reserves) Act 1978, s 14(8).

In 1995 (after the amalgamation of councils to form MRSC) a Development Advisory Committee was established, but this was not specific to Hanging Rock, including the Reserve as only one of its references.

The Hanging Rock Development Advisory Committee was formed in 1996. According to the MRSC website, the role of the Hanging Rock Development Advisory Committee is to advise MRSC about development at Hanging Rock. 'Development' in relation to the advisory committee is considered as a significant strategic change or proposal to either the built infrastructure or environment at Hanging Rock. This was intended to provide clarity that the advisory committee would not be involved in minor and day-to-day operational matters. The committee meets four times per year.

The terms of reference and the membership of the advisory committee has been periodically reviewed, the most recent being in 2014. The advisory committee currently consists of representatives from:

- Friends of Hanging Rock
- DELWP
- Daylesford Macedon Ranges Tourism
- Tourism Macedon Ranges
- Kyneton and Hanging Rock Racing Club
- Macedon Ranges Car Club
- Macedon Ranges Shire Council
- Hanging Rock tennis, cricket and petanque clubs.

#### *Reporting by the Committee of Management*

Under the *Crown Land (Reserves) Act 1978*, a Committee of Management may have to report on its activities. A Committee appointed under section 14(2) of the Act:

*... must keep a full and particular account of all sums of moneys received and expended by it, furnish annually to the Secretary, unless otherwise directed by the Secretary, a statement of its receipts and expenditure and of the balance in hand, if requested by the Secretary furnish particulars of any or all of its receipts and expenditure, keep such accounting and other records as may be required by the Secretary to sufficiently explain the transactions and financial position of the committee, and cause to be made up in each year proper accounts of the committee for the year ending on the day immediately preceding the anniversary of the appointment of the committee or any other day as may be required by the Secretary.<sup>12</sup>*

This mirrored the previous section 222(f) of the *Land Act 1958*, which required committees of management to keep a full and particular account of all sums of money received and expended by the committee and to furnish annually to the Secretary a statement on receipts, expenditures and balances.<sup>13</sup> However, since 1981, local councils appointed as committees of management are not required to report (s. 15(8A)), unless directed to by the Minister (s. 15(8B)). We are not aware of any such direction, although note that up until at least 1986, the Shire council routinely provided a set of annual financial accounts to the Secretary of the Department. There is evidence that the Department regularly scrutinised these accounts and sought, where appropriate, further information on items to satisfy itself that the finances of the Reserve were being managed properly.

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<sup>12</sup> *Crown Land (Reserves) Act 1978*, s. 15(8A)

<sup>13</sup> This provision has since been repealed.

## 5. What people said about the future arrangements

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Extensive engagement with interested stakeholders and the local community was conducted to understand community values and visions for the Hanging Rock precinct. Our approach to consultation included going back to key stakeholders to confirm and validate the themes and input. MRSC executive, and environmental and Friends of Hanging Rock stakeholders were provided an additional opportunity to confirm the facts of their feedback following the final consultation.

### **General feedback on environment and conservation**

- Hanging Rock has unique and important environmental values, which should be preserved and enhanced (the values relate to various aspects of the site's flora, fauna and landscape).
- The Rock's environmental values should be considered and planned for in a larger context, including the wider Macedon Ranges and adjacent bio links.
- The whole reserve needs lasting protection from pressures (such as inappropriate development) that would compromise its environmental values.
- The reserve should be kept as natural as possible; the site's environmental values should not be diminished in the pursuit of other site uses.
- Access to the site should be limited and managed in order to conserve and enhance the environmental values.
- East Paddock functions as an important zone for hosting events a suitable distance away from the Rock itself.
- Environmental works should be aligned with the Loder and Bayly management plan or a suitable new/successor Environmental Management Plan – that is finalised, adopted and consistently adhered to.
- There is scope to improve how the Committee of Management manages the site's environmental values; the role of environmental and conservation science and expertise could be elevated in the management of the site.
- Some significant improvements can be made through small changes on the ground, e.g. how local wood waste and leaf litter is managed; how the edges of waterways are managed.
- Project planning and coordination should include greater engagement with people and groups in the community, who could bring valuable supplementary knowledge and skills, including environmental knowledge and skills.

### **Feedback from environmental stakeholders**

- The Committee of Management could be more responsive to local input and concerns.
- All buildings on the reserve should relate to each other – scale, material and location – there should be no isolated building design; buildings and other structures need to blend in and be sympathetic to the Rock.
- Stakeholders want to be seen as a partner in the Rock's management, not 'an impediment' or a 'challenge to be managed'; they want to impart their knowledge and expertise, and to help both on the ground and in strategic planning.
- Hanging Rock should be seen in its wider physical and environmental context, e.g. as part of the Cobaw biolink.
- "Management responsibilities should be clear, ongoing, open and not subject to changes of Council policy, emphasis or direction from year to year".
- Some stakeholders stated that there should be environmental representation on the Development Advisory Committee, separate from the Friends of Hanging Rock which has a broader interest.
- Primarily, the Development Advisory Committee should be properly consulted rather than just advised of MRSC's decisions – there needs to be more room for stakeholder input.
- "The area is prone to small ad-hoc decisions which progressively leads to loss of heritage and changes to character and the presentation of the area".
- There is scope to improve coordination on environmental projects with community groups such as Landcare.

- The 1993 Loder and Bayly management plan was a good plan but has largely not been followed.

#### **General feedback on tourism and events at Hanging Rock**

- Hanging Rock is an attractive, iconic site with a unique blend of values, and that blend is key to its appeal.
- The Rock's longstanding track record of events (e.g. the Hanging Rock Races) aligns with the site's history and its original intent as a place for recreation.
- Concerts are a boon for nearby Woodend and the wider Shire, are professionally run, and help put Hanging Rock on the international map.
- The value of the site for events is as much about the Rock's iconic reputation as it is about event profitability – relatively speaking, the Rock/East Paddock can be an expensive and difficult place to stage concerts and events.
- Facilities and access could be enhanced – i.e. power, drinking water, lighting – leading to better experiences for visitors, employees and emergency services.
- East Paddock feels under-utilised – it could host more events such as bike-riding groups and festivals without the need to construct buildings.
- Council provides real and meaningful support for events and works well with sporting and recreation groups.
- Macedon Ranges is flagged as a growth area; the Rock precinct needs a strategic plan that supports this growth, including in relation to tourism and events, while preserving the diverse values of the precinct.
- The tourism value of the Rock is not just about recreation and events; the Rock's wildness and environmental integrity are also important for tourism.

#### **Feedback from recreational stakeholders**

- "Council provides real and meaningful support for events".
- "Council is a good conduit in to other services and integrates well with other major agencies, thereby reducing red tape".
- There is opportunity for operational partnerships with user and community groups, related to the re-negotiation of contracts to allow for more profit to user groups to attend to infrastructure upgrades.
- Potentially would be more profitable to hold events elsewhere within the Shire, however, appeal is the experience of the Rock itself.
- The Development Advisory Committee is an information session with no genuine influence or decision making power; it is a "talk-fest".
- Need to acknowledge the contribution of local groups and users to the site, including the environmental groups.

#### **General feedback on governance**

*Note: Strong and diverse views were expressed about Hanging Rock governance – some stakeholders were strongly in favour of the status quo, others strongly against*

- Governance of the site should include wise and robust stewardship, deep and genuine stakeholder engagement, and sound strategic planning.
- Many stakeholders commended MRSC on how it managed diverse (and sometimes competing) interests relating to the Rock and the local community. Looking to the future, a similar number of stakeholders expressed the view that MRSC was the most appropriate manager of the site, as MRSC was seen to possess the necessary resources and expertise.
- At the same time, numerous stakeholders identified ways to improve the governance of the Reserve, especially in relation to representation, strategic planning, community engagement and financial transparency.
- There was broad consensus that more work needs to be done to engage with traditional owners, especially in relation to cultural heritage and education.

- There was broad consensus that the Hanging Rock Reserve and the East Paddock should continue to be managed as a single, integrated precinct.
- Some stakeholders stated that several relevant strategic plans were either in development or out of date, and that this contributed to ‘ad-hoc implementation’, especially in relation to conservation and environmental management.
- Some stakeholders perceived a lack of an explicit, long-term vision and strategy for the site, which had led some user groups to question the Committee of Management’s commitment to some site uses, e.g. the ongoing provision of recreational services at the site.
- Many stakeholders argued that individuals and groups involved with the Rock should declare any actual or perceived conflicts of interest, e.g. in relation to development and residential proximity to development.

#### *Hanging Rock Development Advisory Committee*

- There was considerable interest in the governance, role and activities of the Hanging Rock Development Advisory Committee (HRDAC).
- Some stakeholder groups felt that HRDAC had been mainly used to ‘inform’ rather than ‘consult’ the represented stakeholders; and that the HRDAC should be changed to allow for more timely and meaningful input and debate.
- There was broad consensus and understanding that the title of the HRDAC does not reflect its best purpose or true intent (i.e. ‘development’ has several connotations that may limit the scope of the advisory committee).
- Many stakeholders stated that representation on the HRDAC should be revisited and/or widened, to include greater environmental representation.

#### *Financial transparency and financial management*

- Most stakeholders were interested in ensuring the sound financial management of the Reserve.
- There was a common view that the Reserve’s finances should be more transparent, including separation of the finances from the main MRSC budget and separately reporting the Reserve’s financial position and resources.
- Many stakeholders said they were aware of financial pressures and challenges facing the site and how it is used, but many also expressed opposition to raising greater revenue through means such as higher entrance fees and business development.
- Many stakeholders argued that revenue shortfalls associated with the site should be funded by MRSC (although many stakeholders oppose higher municipal rates) or by the state government.

#### *Community and stakeholder engagement*

- The nature, quality and depth of the Committee of Management’s engagement and consultation was a key focus of stakeholder interest and feedback, and an area of strongly held views.
- Nearly all stakeholders emphasised that the Committee of Management has a responsibility to listen to the community and stakeholders, and to reflect community and stakeholder input in planning and management of the Reserve.
- Many stakeholders felt that the Committee of Management had made mis-steps in its engagement historically. Community consultation around the conference centre concept was widely cited as an example of a failure in engagement and communication. However, some stakeholders defended MRSC’s handling of that concept, arguing that a consultation process was defined and followed, and that some stakeholders misunderstood or ‘over-reacted’ to the concept or its status.
- There was a widely held view that the MRSC’s community consultation in relation to the proposed conference development should have been broader and more timely, and there was a strong appetite for consultation that was genuine rather than ad hoc, “after the fact” or “half baked”.
- Several stakeholders emphasised that MRSC representatives and staff were responsive and helpful on an individual level, and were “doing their best with limited resources”.

**Feedback from selected MRSC councillors**

- MRSC is trying but things can be better.
- There is constant criticism by certain community groups, but little to no solutions are forthcoming from these critics.
- Some local stakeholders are against investment and balanced use in general.
- “To satisfy all is impossible”.
- Conflicts of interest should be declared by members of the community.
- Consultation around the 2013 conference centre concept was “a lost opportunity”.
- MRSC would be remiss in their role not to look for ways to increase revenues and support tourism.
- Hanging Rock is one of a number of parks/reserves managed by MRSC and, given the size and standard at which the reserve is maintained, MRSC “does a very good job”.

**Feedback from the MRSC executive**

- Balancing competing interests and priorities – environment, recreation, cultural and tourism – is a challenging role
- Environmental/conservation perspective: MRSC has contributed significantly to maintaining this perspective, by hiring a part-time environmental officer with supporting rangers; planting of trees in East Paddock; and preparation of the new Environmental Management Plan.
- Criticism is largely around a small number of issues with little focus on or recognition of the many results that are achieved by MRSC.
- Hanging Rock is being managed well with events, in particular concerts, bringing significant patronage and revenue to Hanging Rock and economic benefits to the Shire, as demonstrated through economic impact studies and supported by the ‘Certificate of Excellence’ on Trip Advisor.
- MRSC has sought additional resources for Hanging Rock, i.e. for the development of a master plan and culture values assessment.
- MRSC is well placed to continue as Committee of Management through its experience at Hanging Rock and the support provided by the organisation, especially in areas such as administration, finance and corporate services.
- Have included environmental representation on HRDAC through Friends of Hanging Rock, DELWP and Council’s environmental team.



## 6. Observations on current arrangements and future needs

### Strategic planning and operations

The formal mandate of the Hanging Rock Reserve is for the site to be maintained for the purposes of recreation and affording access to water. Our assessment is that the Committee of Management does this well, with the site continuing to be used for recreational activities that have been held at the site for many years, as well as increasingly positioned as a significant tourism destination. Despite some initial coordination problems, the use of the site in conjunction with the East Paddock to host concert events has been successful in terms of the wider economic impact to the local community and the boost to visitor numbers to Hanging Rock. Such uses are consistent with the mandate for the Reserve and enjoy broad support.

While recreation remains important, environmental conservation and protection of heritage values have emerged as strategic priorities for the site. Historically, the Committee of Management has recognised this and has taken steps to ensure environmental outcomes are managed. This included the purchase of the East Paddock as a buffer zone and to provide scope to move activities away from the Rock; and the preparation of the 1993 Management Plan, which incorporated the role of conservation at the site.

There is an inherent challenge of managing the site sustainably, with competing interests and the need to balance a number of priorities. Perceptions about how competing priorities were balanced was one of the most discussed themes in our stakeholder consultations.

All council staff we spoke to take the task seriously and are genuinely concerned about maintaining and improving the site. There was also evidence that since the 1993 Plan, environmental improvements had been made, with conservation zones being created around the Rock and significant increases in vegetation in other areas such as the East Paddock and the creek.

However, notwithstanding these outcomes, there appears to be a strategic planning vacuum with a lack of a current Master Plan and therefore the stipulation of permitted uses on the site, resulting in decisions that are perceived by many as ad-hoc. There is also a risk that decisions are being made that are not in the best interests of the site as a whole. There have been piecemeal improvements in the approach to planning at the site; however, the 1993 Loder and Bayly management plan is yet to be fully updated or superseded with a strategic framework of comparable size and scope. The Committee of Management has recognised this and is in the process of completing a suite of documents to provide a comprehensive strategic framework for the Reserve. We note that at the time of our review, MRSC is in the process of preparing an Environmental Management Plan for the site - this is clearly needed. We further note that MRSC has made recent changes to directly enhance the environmental management of the site, including appointment of additional rangers with expertise in environmental management.

Given the missteps that were arguably made in relation to the convention centre option, the establishment of a new, credible, holistic, up-to-date, whole-of-site strategic framework will be crucial to the ongoing management of the Reserve, and to rebuilding trust and confidence with some stakeholders.

### Financial position

The following table shows the operating income for Hanging Rock over the past five years.<sup>14</sup>

2009/10	2010/11	2011/12	2012/13	2013/14
335,594	357,985	385,779	527,551	390,040

<sup>14</sup> At the time of undertaking this review, 2014/15 financial outcomes were not available. We are since aware that fees revenue for Hanging Rock has increased significantly in 2014/15 as reported in the MRSC 2014/15 annual report (although the annual report does not disclose the total income and expenditure for the Reserve).

The main sources of revenue for the Hanging Rock Reserve/East Paddock are entrance fees, with additional revenue from fees for events/leases. Some services are provided in-kind by Council, and not included in the operating results shown above.

Any surplus achieved each year is retained in the special reserve account, which is only used for capital expenditure at the site. As at 30 June 2015, the balance in the reserve account was \$447,000. Monies received as capital grants are also placed directly into the reserve account.

Council has maintained for some time that the revenues achievable from the Hanging Rock Reserve (including revenues from the East Paddock) are inadequate to meet the expenditure needed to properly manage the site for its intended purpose. This appears to have been a key motivation in exploring the potential to build conference and accommodation facilities in the East Paddock, and the basis for the previous state government providing \$1 million to the Reserve.

Within this context, it was legitimate and appropriate for council to consider options that would assist in the future funding task. The decision to explore the possibility of conference and/or accommodation facilities on the East Paddock had some merit, although, as noted above, community engagement on the idea could have been more effective if there was a more informed conversation about funding needs and funding options.

The precise size of this structural shortfall in revenue is not clear. Discussions with council staff suggest there is a gap of between \$150,000 and \$300,000 per year. There is also a range of 'one-off' tasks, such as completion of the cultural value assessment and preparation of the Master Plan for the site, which together may cost up to \$300,000. There are a variety of programs and plans for the precinct with implications for future funding needs; however, at present there is no consolidated overview of the operations and future implications of these various elements. For example, there is no plan that identifies and prioritises all capital expenditure necessary over the medium term to meet the site's objectives.

It is not clear whether current revenues, including entrance fees, are appropriate, as there has not been a formal or comprehensive analysis of revenue potential and options at the site. Entrance fees have not been assessed against standard cost recovery principles, which seek to ensure that prices for access or use of the site are sufficient or appropriate to meet the operating and capital costs of maintaining the site.

MRSC has a policy on cost recovery which suggests that Hanging Rock entrance fees should recover all 'direct' costs associated with managing the site; however, there was no documentation provided to demonstrate that current entrance fees do match the direct costs. Council stated that "revenues from general admission and event income is variable", although it is clear that its current admission and use revenue in general meets only operating costs, but not the direct capital costs of the site.

Council staff recognised that increases in entrance fees may deter some visitors, and regularly compared Hanging Rock admission prices to other comparable attractions. However, council staff stated that "some formal consideration/investigation/study could be given to fee levels and sensitivities". This would involve holistic and thorough consideration of revenue requirements, quantitative analysis of sensitivities of entrance fees (in either fee level or fee structure) to visitor numbers, future risks, and the impacts on total revenue.

The commercial and administrative arrangements leases at the site – the café and race club leases – could be strengthened. Specifically, there is no evidence that the leases either maximise revenue potential for the given activities, or otherwise are on terms that contribute to maximising the attractiveness of the site to visitors. A more robust approach to lease management is likely to enhance revenue potential and site management and governance.

During our interviews with MRSC staff, it was clear that MRSC undertakes a number of activities on the Reserve (or directly because of the Reserve) that are not attributed to Hanging Rock for the purposes of financial reporting. That is, MRSC provides a significant amount of in-kind services to the operation of Hanging Rock. This includes staff whose roles span a range of areas including but not limited to Hanging Rock. There is therefore likely to be some costs of managing the Reserve which are cross-subsidised by MRSC revenues. While by their nature these costs are not easily quantified, our assessment is that the value of the in-kind services provided by MRSC is significant in terms of the costs of managing Hanging Rock.

We note that Hanging Rock's operating income is relatively immaterial to MRSC's overall financial position. MRSC staff report that Hanging Rock's income makes up less than 0.5% of the council's total income each year. Similarly, the value of the assets represented by the Hanging Rock Reserve together with the East Paddock are very small compared to the total value of assets managed by MRSC.

### Financial reporting and transparency

MRSC produces an annual report and quarterly reports on operations and financial performance. The operations of the Committee of Management are consolidated within MRSC accounts, consistent with Council's financial reporting requirements. Through these reports, the Committee of Management has complied with all its reporting obligations. Further, the MRSC provides additional information on major developments at the site and attendance numbers.

However, it is clear from our stakeholder consultation that most people interested in the Hanging Rock Reserve want to see more detailed financial information. Despite the current reporting arrangements being consistent with how information is reported for all other crown reserves managed by local councils across the state, there was a strong view that Hanging Rock in particular warranted more comprehensive reporting given its significance and the broader community interest.

In addition, the reporting in the MRSC annual report does not provide information that could be used to inform an assessment of how MRSC is performing as the Committee of Management. For example, its past annual reports have not:

- indicated that MRSC acts as an appointed Committee of Management in relation to the Hanging Rock Reserve
- indicated that revenues from the Hanging Rock Reserve can only be used for purposes allowed under the *Crown Land (Reserves) Act*
- shown detailed revenue from activities in the precinct and expenditure on the management of the precinct and its infrastructure (the information provided in the annual report is the change in balance of the Hanging Rock 'reserve account' and 'user fees' attributable to Hanging Rock)
- provided details on assets (e.g. the value of the East Paddock and the status of the outstanding loan)
- shown how Hanging Rock revenues were used to pay down the loan on the East Paddock.

In light of the particular concerns and interests about the management of Hanging Rock, the financial information that is provided publicly is inadequate to assess whether the council is performing its role as Committee of Management for Hanging Rock appropriately and responsibly. It is generally unclear to the community what the revenues from the Hanging Rock Reserve are spent on. It is not transparent why and on what terms particular groups have access to the site. Some revenue items (such as rental agreements and revenue from the concert events) is not separately disclosed. Income from some activities (e.g. concerts) is considered confidential, making it difficult for the public or the Minister to assess whether the arrangement is of value. This also makes it difficult for the State Government to properly assess the viability of the site and risks to the state.

MRSC staff argued "there are times, due to commercial confidentialities (that) information is not available to the public". While this may be true, MRSC was unwilling to disclose the terms of the agreement with Frontier Touring to this review. We note that there are a number of different modes of reporting available. With these confidential income sources accounting for a significant proportion of whole-of-site revenues, there is an imperative to report information on revenues in sufficient detail to enable an independent assessment of future viability. Reporting is also an essential part of the governance relationship between the Committee of Management and the Reserve's State Government owner.

Importantly, is it not apparent that council staff provide detailed financial information to councillors (as the Committee of Management) on a regular basis, notwithstanding that this would reasonably be expected as part of their duties.

Some stakeholders who had sought information about the Reserve's financial position noted that in 2014/15, the Hanging Rock Reserve changed from being reported as a 'statutory reserve' to a 'discretionary reserve'. This appears to be no more than a correction to the classification of the reserve, consistent with the MRSC policy on reserves, but, without an explanation of the change, appears to have contributed to confusion and concern. We confirmed that monies in the reserve are in fact only used for the Hanging Rock Reserve/East Paddock site.

## **Hanging Rock Development Advisory Committee**

There is evidence that the Committee of Management regularly reviews the terms of reference and membership of the advisory committee, the most recent review being conducted in 2014. The present terms of reference for the advisory committee set out the primary and other purposes of the advisory committee, its relation to the Committee of Management's various goals and objectives to deliver a balance between conservation, community recreation, and tourism.

Our review identified a level of concern about the operation of the advisory committee. Some parties with representation on the advisory committee consider that the advisory committee has no real effect on decisions made, or that the Committee of Management does not properly consult with the advisory committee.

It is important to note that, from a governance point of view, it is the MRSC as the Committee of Management that is solely responsible for making decisions in relation to the management of the Hanging Rock Reserve, and while broader community input is encouraged, decision making cannot be delegated to another body. Formalising the status of the advisory committee beyond its current framework would be inconsistent with the council being accountable for decisions. Ultimately, it can only be at the discretion of the Committee of Management as to how they seek feedback on matters affecting the Reserve.

That said, there are a number of changes that the Committee of Management could make in the interests of improving the effectiveness of the advisory committee.

### *Membership*

While the Committee of Management has given sound consideration to the membership of the advisory committee and its size, some interests are not fully represented. The interests of traditional owners in particular are absent (although this has been pursued by council), and, aside from formal triggers under the *Native Title Act* or *Aboriginal Cultural Heritage Act*, there appear to be no avenues by which traditional owners can contribute to decisions affecting the Reserve.

MRSC notes that there is scope for seconding additional attendees on particular issues. However, given that conservation is one of the ongoing objectives to be balanced, it would appear that there is merit in formally including on the advisory committee representatives such as the regional Landcare Coordinator or other similar bodies with roles in environmental matters. MRSC considered that the inclusion of the Friends of Hanging Rock is aimed at environmental interests being included, however that group considers it has broader interests.

It is also unclear why three members (including the chair) of the advisory committee are council members. This has created the perception that the council is advising itself, and appears to have added to the perception that the council uses the advisory committee to merely tell other members what council is doing rather than seek input. The operation of the advisory committee would be improved if it were independent from council, which would also give it the ability to identify other issues that it wanted to bring to council's attention.

Any change should also clarify that the advisory committee is providing advice to MRSC as the Committee of Management, not as the council.

### *Name of advisory committee*

While the terms of reference make it clear that the term 'development' in the name of the advisory committee is broadly defined to encompass any matters that relate to significant changes in relation to infrastructure or the environment, the term has caused some perceptions that there is a bias towards large scale development. Despite the interests of some stakeholders, it is impractical for an advisory committee of this nature to become involved in minor decisions and day-to-day operational matters. Therefore, it would be helpful to replace the term 'development' with 'strategic' and to clarify in the terms of reference the intention that the advisory committee should not become involved in the day-to-day management of the Reserve. That said, the day-to-day management decisions of the council executive and staff should not go without oversight. However, this is a matter for the Committee of Management.

## 7. The East Paddock

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In November 1989, the Shire of Newham and Woodend entered a contract to purchase 56 acres (22.7 hectares) adjacent to the Hanging Rock Reserve formerly used for farm grazing. The purchase was completed in March 1990.

### Purpose of purchase

The Shire Council, as Committee of Management, had been advocating for the state government to purchase the East Paddock since at least the 1970s. The consistent purpose of the East Paddock purchase appears to have been to prevent development and provide opportunities to move some activities away from the base of the Rock.

Prior to the purchase, Council and the Committee of Management regarded the undeveloped property as vital to the preservation of the landscape and aspect to the east of the Rock. It was noted that approval of inappropriate rural-residential development subdivisions to the south-west and west of the Reserve had created major conservation problems for the area. The Council believed that planning controls (which at the time limited use of the land to no more than one house) was insufficient to guarantee the long term future. According to State Government records, "the Council would not develop the property for recreation purposes but would ensure its conservation and replanting with indigenous flora."

In 1987, the Committee of Management wanted to buy the East Paddock land because it did not want development on the site that would seriously affect the landscape values of the reserve and that could significantly increase management problems.

In 1988 the then Shire Council had refused a proposal to construct a dwelling on the East Paddock properties on the basis of its impact on the Hanging Rock Reserve. The refusal was appealed to the Administrative Appeals Tribunal and the appeal was upheld, providing the stimulus for the then Council to pursue purchase of the site.

The relevant State Government department at the time also recognised that there were pressures on the Reserve and that a buffer against development was needed.

By late 1989, the Hanging Rock Committee of Management had adopted a policy for "The Purchase of Additional Land adjoining the Reserve" to act as a buffer to the Hanging Rock Reserve from the surrounding farmland.

At the time of purchase, Mr Dan Drew, Shire Secretary, was quoted in a newspaper article as saying about the undeveloped land: "It is unspoilt land, and will be able to be preserved forever".

The 1993 Management Plan noted that the purchase of the East Paddock would facilitate easier implementation of the main objective recommended by the Land Conservation Council – i.e. by allowing greater scope for the dispersal of activities which are currently concentrated close to the base of the rock, the Committee of Management can better protect the significant geological, scenic, historical and floristic values of Hanging Rock.

A report prepared for the Hanging Rock Action Group (to support the heritage listing application of the Reserve and East Paddock) stated that the purchase of the East Paddock was to "preserve the conservation value of the Rock".

The *Information Bulletin Hanging Rock September 2013*, published by MRSC, stated:

*The East Paddock was purchased for the purpose of enhancing Hanging Rock, to assist in providing for a sustainable facility in the longer term for all users and inhabitants and to take the pressure off the sensitive conservation areas [of the HRR].*

*Council purchased the East Paddock to plan for future upgrades and for use as an alternative to the sensitive areas of the Reserve.*

The Hanging Rock Development and investment Plan (2013) stated that:

*In 1993, the former Shire of Newham Woodend purchased the East Paddock site. This purchase was intended, as discussed in the Loder & Bayly report (1993), to be the site for development in support of concerts, other events, picnicking and a tourist based facility possibly involving accommodation.*

However, it is not clear that the 1993 plan foreshadowed accommodation beyond camping.

### Ownership

The East Paddock was purchased in the name of the Council, with the Title registering the Council as sole proprietor.

Prior to the purchase, and after the purchase, the Council sought contributions from the Victorian Government (among other bodies) to the cost of the purchase. No State Government funding was provided.

Prior to the purchase, the Committee of Management attempted (since at least 1978) to convince the State Government to purchase the land for the purpose of stopping development. The Minister has statutory powers to purchase land, including through compulsory acquisition, to add to the designated Reserve.

The ultimate acquisition of the East Paddock was a decision by the Committee of Management in its capacity as manager of the Reserve. The Committee noted that, due to difficulties in the Committee being able to borrow money<sup>15</sup>, the purchase would be made in the name of the Council, with the Committee of Management meeting loan repayments from Hanging Rock revenues. The Committee of Management formalised a decision in April 1990 that the Committee would apply all funds raised by the levy of \$2 per car visiting the site to the reduction of the loan raised to purchase the property.

Both the Committee of Management and the Council wrote to the relevant State Government department advising that the two parties<sup>16</sup> had entered into "an agreement" which provided for the Committee of Management to meet the loan repayment. MRSC was not able to provide this review with a copy of the agreement, however a Committee of Management business paper from 1990 noted that the land was purchased by Council and held 'in trust' for the Committee.

We understand that the loan was being repaid using Hanging Rock revenues. According to a newspaper report that quoted Mr Dan Drew, then Shire Secretary, the \$25,000 deposit for the purchase was taken from the Hanging Rock Reserve funds. This is confirmed in the Committee's business papers from November 1989, which state that the deposit was paid from the Committee's reserves.

As using Reserve revenue to repay the loan of another party was considered potentially outside the powers of the Committee, on 29 September 1992, the Committee sought permission from the Minister to allow this arrangement to take place. The Minister agreed to this request (approval not dated), with the Council being advised on 23 November 1992 of the Minister's approval.<sup>17</sup>

The Committee of Management and the Council advised the Department that they had agreed that the property would be incorporated in the Reserve when the Committee had repaid the whole of the loan (at the time expected to be 20 years). The letter also stated:

*The two parties will honour the agreement to incorporate the purchased property in the Reserve, but would seek an assurance that the Minister will reserve the land permanently for the purposes of the Hanging Rock Reserve. The two parties intend to continue to seek a contribution from the State Government towards the cost of the purchase of the land. They would prefer to make the matter of the contribution a condition precedent to the incorporation, but that may be an impossible condition to implement.*

The letter also noted that, if the Committee became unable to service the loan, the Council would continue to meet the payments but may seek to renegotiate the agreement for incorporation.

While the Minister's consent to use revenue from the Hanging Rock Reserve to repay the loan did not include any conditions, it was granted on advice that the land would be surrendered to the Crown and incorporated into the Reserve upon payout of the loan.

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<sup>15</sup> Being an unincorporated body, the Committee does not have powers to borrow under the Crown Land (Reserves) Act 1987 (section 14C), nor otherwise under the Borrowing and Investment Powers Act 1987.

<sup>16</sup> It is relevant that at the time of the purchase (and the agreement), the Committee of Management was not only the council, but the council plus three members of the Racing Club, and hence Committee business was at that time conducted separate to council business.

<sup>17</sup> Sec 15(1)(f) of the Crown Land (Reserves) Act 1978 relates to compelling a Committee to expend money as directed by the Minister. The notice to the Committee, while referring to sec 15(1)(f), only advised of the Minister's consent.

The 1993 Management Plan noted that the purchase of the East Paddock realised a long term goal of the Committee of Management to incorporate this land into the Hanging Rock Reserve. The Plan recommended that, once the loan on the new site had been paid off, the property be transferred to Crown ownership and incorporated into the Hanging Rock Reserve (with the regulations to apply for both pieces of land).

It is clear that at this point the Committee of Management was operating under an agreement with then Shire Council and a direction of the Minister to allow part of its revenues to pay off the loan. Council (in its own right) was subject to an agreement that we understand required it to apply the revenues from the Reserve to pay off the loan, and once repaid, transfer the property to the Crown. This is based on descriptions of the agreement in correspondence from the Committee and Committee papers prepared at the time, however we were not able to obtain a copy of the formal agreement.

MRSC now states that, since at least 1995, loan repayments have not been made from the Hanging Rock revenue but were made from general council revenue. This is despite entrance fees being increased specifically to service the loan.

Staff at MRSC recalled that, upon the amalgamations of councils in 1995 (immediately after which MRSC was administered for a time by commissioners appointed by the state government), the commissioners decided:

- in the context of some funding challenges facing Hanging Rock, to continue with carrying forward the surplus funds reserve for Hanging Rock
- to merge the Hanging Rock Committee of Management administration fully into MRSC's operations
- not use Hanging Rock revenues but MRSC funds to service the loan for the East Paddock.

MRSC staff noted that the increase in the entrance fee did not raise the additional revenue expected.

We were unable to readily locate documents to support these decisions (documents from the time are archived and not easily searchable), and MRSC staff advised that during the time in question, decisions were sometimes not documented. Without evidence of an approval or formal intent to pay, we are unable to confirm if the Committee of Management and/or MRSC either solely or partially paid for the loan. We also received conflicting information from a number of council executives as to the status of the loan repayment.

MRSC maintains that, as the East Paddock is in MRSC's name and paid for by council revenues, it should remain as a council-owned asset, and not become part of the Hanging Rock Reserve or otherwise be transferred to the Crown. There are a number of problems with this approach:

- The deposit and early loan payments were provided by the Committee of Management's revenues. For the MRSC commissioners to unilaterally decide that it would keep the benefit of this for MRSC is problematic if this occurred without a clear decision to do so by the Committee of Management. According to our understanding of the terms of the agreement, this would be a breach of the agreement between the Council and the Committee of Management.
- If the arrangements for the purchase of the East Paddock were done with the consent of the Committee of Management, it would appear that the Committee may have breached its statutory duties to act in the best interests of the Reserve and of the Crown's interest in the site. In addition, the continued ownership of the East Paddock by Council may be contrary to the understanding provided to the Minister of the time in that the land would return to the Crown upon payout of the loan.
- As the Committee of Management had invested, on behalf of the state, in the East Paddock in exchange for the site to ultimately become part of the Reserve, it is unclear how walking away from such an agreement was in fulfilment of the Committee's duty.

### *Management of East Paddock*

Despite the ongoing accounting treatment of the East Paddock as an MRSC asset, we understand that the Committee of Management does in practice manage the East Paddock for the benefit of the Hanging Rock Reserve, with income generated from activities on the East Paddock being regarded as revenue of the Reserve and being used for improvements at the Reserve.

The integration of the East Paddock with Hanging Rock operations is important in financial terms and critical to the successful operation of the precinct. The East Paddock allows a number of activities to be moved away from the immediate Hanging Rock vicinity, helping to protect the Rock's environmental and community values, particularly its environmental and community values. The East Paddock also provides an area for significant revenue-raising events and activities which help fund the Hanging Rock operations and/or assist in promoting visits to the Reserve.

The 1993 Management Plan was prepared on the assumption that the East Paddock would remain available as part of an integrated site. All council strategies and decisions in relation to Hanging Rock have been based on continuing to treat the East Paddock as part of the single precinct, with the opportunities available from the East Paddock being solely to support the sustainable operations of the Hanging Rock Reserve.

Therefore, the different legal ownership of the East Paddock appears to have had little impact on the management of the Hanging Rock Reserve, with the Committee of Management in effect managing the East Paddock in the interests of its obligations under the *Crown Land (Reserves) Act*. Therefore, there would appear to be no practical difference in the management of the East Paddock to achieve the original intention to transfer ownership of the East Paddock to the State Government, and formally incorporate it into the Reserve.

The different ownership arrangements present challenges in terms of governance and financial accountability to state government and the Shire residents. While similar land ownership would be ideal to ensure a consistent framework of management and governance, there are significant practical problems in either the state government or the MRSC owning the entire precinct (the Reserve and the East Paddock).



## 8. Options

### Mapping the range of options available

The following table outlines a range of feasible options for the future management of the Hanging Rock Reserve. These options are presented against a number of different elements, and draw largely on our assessment of stakeholder views.

#### Options for East Paddock

#### Vest Reserve in Council as trustee

There were no views on this option raised. Council was trustee of the Reserve up until 1956, at which point the land was surrendered back to the state and the council appointed as committee of management.

#### Incorporate East Paddock into the Crown Reserve

The East Paddock is a valued source of revenue generation for the Reserve. There was broad support for the East Paddock and the Reserve to be integrated in a common way for planning, governance and management purposes and to protect the site from inappropriate development.

The East Paddock is owned by MRSC. There was an Agreement between Council and the Committee of Management to transfer the land to the Reserve once the loan was repaid. MRSC has stated it considers that the agreement “became obsolete when the loan was repaid by Council”. (See the discussion in the body of this report.)

#### Sell East Paddock

While the East Paddock can be used to generate revenue to support the Reserve, it might be financially better to sell off the site entirely and put the proceeds into a special reserve account to improve the Hanging Rock Reserve.

However, it was acknowledged that this would be inconsistent with the original intention to migrate activities away from the Rock onto the East Paddock. Indeed, there were some views that additional buffer land should be purchased to better enhance the enjoyment of the Reserve.

Overall, there is likely to be little merit in, and even less support for, the option of selling East Paddock.

**Objectives of committee mandate**

**Leave as is**

There were some views that the site is achieving an appropriate balance between competing objectives and meeting the current mandate of the Committee for manage the land for the purpose of the reservation (recreation and access to water).

**More tourism/recreation focus**

Many of the people consulted identified the economic benefit of the site to the local economy, as well as the ability to use the Reserve by a number of local sporting groups.

There was strong support for more being done to encourage tourism to the Reserve (such as improved amenity and educational information on site) as well as promoting the Reserve within a strategy that promotes the wider region.

There were some concerns that the irregular opening hours of the café, and access through the racecourse, were adversely affecting enjoyment of the site.

**More environmental conservation**

Some stakeholders believe that the site is not being managed to adequately protect/improve its environmental values and its relationship with the wider landscape (e.g. Cobaw biolink).

**More locally focussed**

There was a strong view among some in the local community that the Reserve should be primarily for the enjoyment of local residents.

A small number consider that the operation of the Reserve is paid for by local ratepayers, and therefore they should not have to pay to use the site.

**Who should be the committee of management?**
**MRSC**

Several stakeholders supported retaining MRSC as the committee of management. The reasons for this included: the ability to use council staff and assets to support the operations of the Reserve; the professional skills that already exist within council; and that, to date, management has been effective. Many people thought that the Reserve was run well.

However, there was some concern that Reserve matters had merged too far into ordinary council business and should instead be dealt with as stand-alone matters (i.e., council meets as the committee of management at separate meetings with separate minutes). It was also suggested that within council there should be a dedicated committee secretary/manager that does not have other council duties.

**MRSC plus others**

There was a small minority who suggested that the committee of management should comprise council plus a number of other selected members to jointly manage the Reserve. It was noted that this arrangement existed between 1959 and 1990 in relation to members of the Racing Club being formally part of the committee of management, which raised issues about individual liability of council members. It was acknowledged at that time that the Racing Club only reflected one aspect of the many uses of the Reserve, and to represent all interests on the committee would result in an unworkable committee size.

**Community-based**

Some stakeholders were strongly in favour of installing a community-based committee of management, as occurs in many other places throughout the state. There was concern by some groups, though, that a community-based committee would not have the capability and competency to find a balance across the complex range of activities at the site.

**Skills based**

Many stakeholders who supported a move away from MRSC as the committee of management acknowledged that the committee would need to have appropriate skills to run the Reserve successfully, including skills in finance and administration, environmental management, and tourism. A skills-based committee would also enable the Reserve to be managed with a state-wide focus, rather than a local focus.

**Other entity**

The Crown Land (Reserves) Act allows other public bodies or not-for-profit corporations to be appointed. These options were not raised as preferred options, although there was some mention of the possibility that Parks Victoria could manage the site.

*Or: no committee of management.*

Strictly, there is no requirement that a committee of management must be appointed under the *Crown Land (Reserves) Act*. This means, in principle, the State could manage the site itself, including the ability to appoint a service provider to manage the site under contract. For example, the state could run a Request for Proposal tender process to identify whether any commercial entity could manage the site on a commercial basis, while meeting clearly specified KPIs in terms of site protection and management. There was no suggestion that such an approach be adopted.

Examples are provided below of significant Victorian sites where boards of management are closely linked to the values of the site.

Name	Governance	Legislation	Reports to	Community
<b>Alpine Resorts Coordinating Council</b>	Statutory body governed by a Board that includes the Chair of the six Alpine Resorts Management Boards.	Victorian Alpine Resorts (Management) Act 1997.	Minister for Environment, Climate Change and Water	Strategic stakeholder engagement plan to engage community on key planning and management processes. Specific focus is also placed on indigenous engagement.
<b>Wilsons Promontory</b>	Parks Victoria	<p>National Parks Act 1975 and Regulations            Crown Lands (Reserves) Act 1978 and Regulations            Parks Victoria Act 1998 - with approval of the Minister, may also provide land management services to the owner of any other land used for public purposes            Port Management Act 1995</p> <p>Other legislation includes:            Aboriginal Heritage Act 1996            Flora and Fauna Guarantee Act 1988            Forests Act 1958 and Regulations            Heritage Act 1995            Land Conservations (Vehicle Control) Act 1972 and Regulations            Traditional Owner Settlement Act 2010</p>	Minister for Environment, Climate Change and Water	Local Indigenous communities are active in establishing cultural and spiritual links with the park and in undertaking park management activities. Also has an established Friends of the Prom group. Current campaign by the Friends of the Prom and Victorian National Parks Association against commercial development on Wilsons Prom.
<b>Royal Botanic Gardens</b>	Statutory body governed by the Royal Botanic Gardens Board Victoria	Royal Botanic Gardens Act 1991	Governor-in-Council	Friends of Botanic Gardens are integrated with the site and organise a number of volunteer activities

Name	Governance	Legislation	Reports to	Community
<b>Twelve Apostles Marine National Park</b>	Parks Victoria	National Parks Act 1975 and Regulations Crown Lands (Reserves) Act 1978 and Regulations Parks Victoria Act 1998 - with approval of the Minister, may also provide land management services to the owner of any other land used for public purposes Port Management Act 1995	Minister for Environment, Climate Change and Water	Listed as the second and only other 'natural wonder' on Heritage Victoria database. (Hanging Rock being the first 'natural wonder' on the database.)
<b>Grampians</b>	Parks Victoria	National Parks Act 1975 and Regulations Crown Lands (Reserves) Act 1978 and Regulations Parks Victoria Act 1998 - with approval of the Minister, may also provide land management services to the owner of any other land used for public purposes Port Management Act 1995	Minister for Environment, Climate Change and Water	Victorian National Parks Association has opposed commercial development in National Parks.
<b>Philip Island Nature Parks</b>	Board of Management with two skills and community based committees reporting to it - Community Advisory and Environment Advisory. Committee meetings are chaired by members of the Nature Parks Board.	Crown Land (Reserves) Act 1978 Crown Land Reserves (Philip Island Nature Park) Regulations 2010	DELWP and appointed by Minister for Environment, Land, Water and Planning	Connections with a broad range of partners ranging from conservation to tourism.

<b>Development Advisory Committee</b>	<b>Status quo</b>	<b>Expanded membership</b>	<b>Purpose of committee</b>	<b>Name</b>	<b>Abandon advisory committee</b>
	<p>A small number of participants on the Development Advisory Committee indicated it had worked well in general and should be continued.</p> <p>However, most participants acknowledged that there could be improvement in relation to the issues identified, and particularly in relation to membership / representation, and clarifying the advisory committee's purpose.</p> <p>MRSC considers the Advisory Committee to be a valuable input into decision making.</p>	<p>Despite a review of membership in late 2014, most people agreed that the membership could be expanded to include other interests, particularly environmental interests and traditional owners.</p>	<p>There was a view by a few groups that the Advisory Committee did not in practice advise and influence Council's management of the precinct, but was used predominantly for the council to advise the committee of matters affecting the Reserve.</p> <p>There was support for re-establishing the committee as a body able to determine the issues it wanted to discuss and advise council on, with council required to formally respond to advice provided.</p> <p>There was a widely held view that the effectiveness of the Advisory Committee was hampered by the dominance of council personnel on the committee.</p>	<p>The name of the committee reflects that its purpose is to be engaged on any significant changes to the site (as opposed to day-to-day management issues).</p> <p>However, there was broad agreement the use of the word 'development' in the title was not appropriate, given other possible interpretations.</p>	<p>There is no requirement to have an advisory committee, and ultimately council is accountable for all decisions made. Most people that considered the advisory committee ineffective provided views on how to improve the operation of the advisory committee; there was not a significant view that the model should be abandoned, although this would appear to be a relevant option if improvements cannot be made.</p> <p>There was also reference to a 'working group' (used prior to the advisory committee being created) as an alternative; this would be a more formalised arrangement where council delegated some of its functions to another group.</p>

**Funding options**
**Self sufficiency**

Many people think that the site should be run on a sustainable basis, without the need for financial contributions by the council or state government. However, there was not strong support for any particular measures to increase revenue (such as increased entry and user fees). Most people recognised that reducing the level of spending would not work as it would lower the quality of the site services and cause fewer people to attend, thereby reducing revenues further.

**State contribution**

A large cross section consider that any shortfall in operating expenses should be funded by the State Government, pointing to the success in the current \$1 million (over 4 years) (as well as a grant provided by the commonwealth government) as being able to fund much needed improvements at the site.

The majority of groups considered that there is still a significant backlog of upgrades and new works that are needed to achieve their vision for the site.

**MRSC contribution**

MRSC already provides effective financial support to the site through staff.

A number of people considered that improvements at the site should be paid for by council. However, most people did not support this approach. Some, including council, noted that limits on the ability to increase rates meant that additional financial support from council was not feasible.

**Financial/operational reporting**
**Status quo**

There was no support that the current financial and operational reporting arrangements are adequate.

**Reporting to state government**

Up until at least 1983, the committee of management provided audited financial statements to the State Government. This allowed the Government to scrutinise particular items, and to have a clear picture of trends and gaps.

A direction could be provided under the *Crown Land (Reserves) Act* for the council to produce separate financial reports for the committee of management.

**Public reporting**

There was a strong view that council should publish separate reports on revenues and expenses for Hanging Rock, as the current published information (attendance numbers and changes in the reserve balance) were not transparent.

The majority of user groups considered that it was not possible to track financial information between different council publications (e.g. proposed and adopted budgets).

**Involvement of others****Local community interests**

There was strong support for improved community (municipal-wide) input into the management and operations decisions that affect Hanging Rock. Most people with this view thought that this would be achieved through an enhanced advisory committee, or moving to a community-based committee of management.

**Environmental interests**

There was a view that environmental interests were not well managed by council. This is due to a number of perceptions: (a) that the Reserve is managed within the recreation division within council rather than the environmental division, (b) that the staff who work at the Reserve are not adequately trained in environmental skills, (c) that environmental interests are not adequately represented on the development advisory committee, (d) that there is not sufficient coordination across environmental planning, projects and activities on the site.

MRSC noted that a site environmental management plan is under development that would better incorporate these interests.

**Traditional owners**

There was a consensus that more needs to be done to include traditional owners in the management of the Reserve. It was recognised that traditional owners' interests are conceptually different to other interests (which focus on use of the site) while also needing to be embedded within all other activities. An example was the way in which council had involved traditional owners in the minor works done in the East Paddock to support concerts.

It is not clear at this stage what type and extent of involvement of traditional owners is preferred. All stakeholders acknowledged that any options going forward would need to be able to incorporate this involvement, which could change over time.

There was widespread support that better information about traditional owners was required on the Reserve.

**User/sports groups**

The various user groups consulted stated that their experience in dealing with MRSC as manager of the land was good. While some groups had been disappointed that more of their needs had not been met, they recognised that their needs are part of broader priorities within the Reserve, and were happy about the way they were able to engage with council, either through the Development Advisory Committee or directly with council staff.



### Three practical options for change

Based on our findings and analysis above, we have identified three core options for further detailed consideration. The options all involve a shift from the status quo. The advantages (strengths and opportunities) and disadvantages (weakness and threats/risks) of the core options are also presented.

There are a number of changes that we consider should be made regardless of which option is pursued. These are:

- Site/precinct master plan – to provide a comprehensive framework for how the site will be used and managed and to help provide clarity for the local community and future investment in the precinct
- An agreed stakeholder engagement plan specific to the site to provide greater opportunities for community involvement in the direction and management of the precinct.
- Cultural values study.

Any chosen set of options should also achieve improved transparency of finances and ability for scrutiny by government.

The following options also assume that, should MRSC no longer be the Committee of Management for the Hanging Rock Reserve, that the East Paddock will remain with MRSC; the Reserve and East Paddock could not be managed as a single precinct (although cooperation with MRSC would of course be possible). We have not examined options for the State to acquire the East Paddock to formally incorporate it into the Reserve, or the sale of the Reserve to MRSC or another entity.

	<b>Option 1: MRSC continues as committee of management with changes to site management and governance</b>	<b>Option 2: New committee of management</b>	<b>Option 3: Parks Victoria (PV) to be committee of management</b>
<b>Strategic direction</b>	New explicit direction from Minister, setting out the range of values that are to be pursued, and with guidance on how to balance them	Same as Option 1	Same as Option 1
<b>Governing body</b>	MRSC continues to be the committee of management	A new committee, appointed by the Minister, composed of people who bring a mixture of skills and are drawn from the local community and beyond	Parks Victoria
<b>Governing body meeting processes</b>	Separate meetings and minutes (i.e. separate from other council business) Meetings are open to the public, and minutes are published (unless confidential matters warrant in-camera arrangements)	Meetings are open to the public, and minutes are published	As per ordinary Parks Victoria Board meetings and other Parks Victoria meetings
<b>Other committees</b>	'Development Advisory Committee' becomes 'Strategic Advisory Committee' with broader mandate and representation, including of environmental stakeholders	Same as Option 1	Minister and Parks Victoria's Board could seek advice from a site-specific (and informal) advisory committee
<b>Master planning arrangements</b>	New master plan for precinct (including East Paddock) with statutory force	Same as Option 1, but would exclude the East Paddock	Same as Option 1, but would exclude the East Paddock
<b>Financial reporting</b>	Separate audited accounts are published, and there is greater financial transparency of expenditure, capital works planning	Audited accounts are published, along with works plan and other financial information	Could augment ordinary Parks Victoria reporting with a note and/or special report for stakeholders on the new national park's performance
<b>Costs</b>	Fees, charges and leases should be reviewed; also consider opportunities for cost recovery, enhanced performance of existing commercial assets	Same as Option 1, plus: The new governance arrangements would involve additional set-up costs (e.g. administrative costs of the new committee) and higher ongoing costs (e.g. from reduced access to in-kind MRSC resources and revenues for activities on the East Paddock)	Same as Option 1, plus: Could be managed in line with other Parks Victoria sites, e.g. permits for stakeholders to use the site Scope to utilise some existing Parks Victoria resources in the management of the site

### Assessment of three core options

	<b>Option 1: Retain MRSC as the committee of management while making important changes to site management and governance</b>	<b>Option 2: A new Committee of Management</b>	<b>Option 3: Parks Victoria (PV) to be Committee of Management</b>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Makes use of existing knowledge base and expertise developed within MRSC (both from experience in managing Hanging Rock as well as broader experience in managing sites across the council area)</li> <li>Would allow MRSC to build on the successes already achieved to date on the site</li> <li>Using the local council as the Committee of Management is a proven model that is in place for a large number of sites across the state, making use of existing council governance, planning and administrative resources</li> <li>Council is best placed to deal with local issues</li> <li>Retaining MRSC as the CoM is the least costly option for the Victorian community (albeit some additional cost is likely to make identified improvements)</li> <li>Allows most of the substantial issues and concerns identified during the review to be addressed</li> <li>Retains integrated management between the Hanging Rock Reserve and the East Paddock</li> </ul>	<ul style="list-style-type: none"> <li>This option is the most flexible option, as its form, composition and operations can be clearly prescribed (to act as a stand-alone and complete description of the Committee's duties)</li> <li>The State could ensure that committee membership appropriately reflects local imperatives, state-wide imperatives and the necessary board skills</li> <li>Depending on the mandate and membership, this option can be tailored to give clear instructions on the priorities for the management of the site</li> </ul>	<ul style="list-style-type: none"> <li>Parks Victoria has experience in managing reserves of state and regional significance</li> <li>Existing Parks Victoria resources and knowledge could be quickly applied to the Hanging Rock Reserve</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>Subject to a comprehensive review of revenue potential, it is still likely that the Committee of Management would need an additional resource contribution to manage the site in line with the prevailing expectations. This would be an additional, potentially ongoing, cost to the state</li> <li>Notwithstanding the identified improvements that could be made within this model, there is likely to be opposition from some stakeholders to the retention of MRSC as the Committee of Management</li> <li>There may also be barriers to change within MRSC that would reduce the likelihood of the site management and governance improvements being adopted.</li> </ul>	<ul style="list-style-type: none"> <li>This would require additional resources to manage the site (more than Option 1 and likely to be substantially more than at present). This is due to the set-up and operational costs of a separate committee; loss of in-kind contributions from MRSC; and loss of revenue from East Paddock activities.</li> <li>In the short term, this option could be impaired by a lack of specific experience in managing the site</li> <li>Difficult to manage competing interests in the site, particularly when committee members have alignment to particular interests and values of the Reserve</li> <li>Loss of East Paddock from the control of the Committee of Management could compromise the integrated management of the wider precinct</li> <li>Overall, this option is likely to present the greatest risk to the community and the interests of the Reserve.</li> </ul>	<ul style="list-style-type: none"> <li>Cost implications are unknown. While there would be additional costs related directly to the site, the Government would need to decide if this necessitated additional funding to Parks Victoria or whether exiting budgets would be reprioritised</li> <li>Though community engagement would continue, this option could reduce the scope for community input in the planning and management of the site</li> <li>Loss of East Paddock from the control of the Committee of Management would compromise the integrated management of the wider precinct</li> </ul>



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