

Victoria's Value Creation and Capture Framework

Maximising social, economic
and environmental value
from infrastructure investment

VICTORIA
State
Government





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Victoria's Value Creation and Capture Framework

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Message from the Premier



Victoria is a great place to live.

It's why we're the fastest growing state in the nation, with more than 2,000 people moving here every week.

But growth brings challenges, and we can't afford to be complacent. We have to make sure that our investment in world-class infrastructure and services grows just like our population is.

It's a significant challenge – but it represents a significant opportunity too.

To make the most of it, we must be willing to add value in everything we do, using all of the levers available to us.

It's why we've developed the Value Creation and Capture Framework.

It means a more consistent, concerted approach to assessing and increasing the benefits of our investments.

Using this Framework, the Victorian Government will maximise the public value created by our infrastructure projects and increase the public return on our investments.

We want the private sector to be at the table, sharing their expertise, and developing the solutions for the challenges that face our state.

But we won't take a punitive approach.

It's not just about price and return – governments have a responsibility to build better communities.

Through the Value Creation and Capture Framework, we'll maximise the benefit of every project for every Victorian.

A handwritten signature in black ink, which appears to read 'Ja Andrews', written in a cursive, flowing style.

The Hon Daniel Andrews MP
Premier of Victoria



Introduction

Governments aim to improve citizens' lives. They do this by creating social, environmental and economic "value" for the community through planning decisions, investments and other interventions. However, by effectively co-ordinating these interventions and thinking creatively, Government and its delivery partners can maximise the value for the community. For example, when building infrastructure or developing precincts, government can enable economic opportunities, build green space, community services, housing and education opportunities and create more value for the community than would otherwise be the case.

In adopting a Value Creation and Capture (VCC) Framework, the Victorian Government is systematically harnessing the potential of its investment to create additional value for the community.

Putting value creation, and equitable value capture at the centre of how we think about public projects has the potential to improve productivity, increase access to jobs and employment, enhance public amenity and unlock commercial activities. It will support a wide range of policy outcomes such as industry and skills development, affordable housing, the provision of open space and community facilities, and energy efficiency. It will also multiply opportunities for innovation by encouraging Government to harness private sector ideas and know-how to deliver higher quality and lower cost facilities and services.

By publishing this VCC Framework we are providing a clear signal to the public, private and community sectors how we will go about enhancing value creation through capital infrastructure projects, development of public land and precinct projects, and the types of ideas that will be supported.



**A core objective
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What do we mean by value creation and value capture?

Value creation

A core objective of all government activities and investments is to create public value. However, government can create greater public value by thinking beyond the narrow focus of a project and considering the wider opportunities available.

For the purposes of this Framework, value creation refers to delivering enhanced public value, in terms of economic, social and environmental outcomes. This enhancement of public value is above and beyond what would ordinarily be achieved as a direct consequence of the relevant government investment.

Examples of the benefits that can be realised through value creation include:

Economic Benefits: increased growth and job opportunities; improved workforce participation. This could be through the design of a project, such as creating commercial and job opportunities once the project is delivered, as well as how the project is delivered by using local companies, local content, and local expertise.

Social Benefits: public housing; improved access; enhanced public safety; increased recreational infrastructure such as bike paths and parks; and, improved connectivity. These can be achieved through joined up planning and project design.

Environmental Benefits: the greening and enhancement of natural catchments in cities and towns; increased energy and/or water efficiency; and building sustainability; climate change adaptation; decreased greenhouse gas emissions.

Figure 1 (page 10) outlines some of the kinds of value that Government may seek to enhance through its capital investments, development of public land and precinct projects.

Case studies of the Caulfield to Dandenong level crossing removal project and the State Library Redevelopment further describe some of the broader benefits that can be achieved by adopting a value creation based approach.

Figure 1: Types of value



Case Study 1:

Caulfield to Dandenong Level Crossing Removal Project

Caulfield to Dandenong Level Crossing Removal Project and the benefits of a value creation based approach

Infrastructure, public land development and precinct projects can facilitate the creation of new public facilities (e.g. parks, bike paths and cultural facilities), increasing amenity for local businesses and residents. They can also increase public safety (e.g. through improved road design and reduced transport congestion).

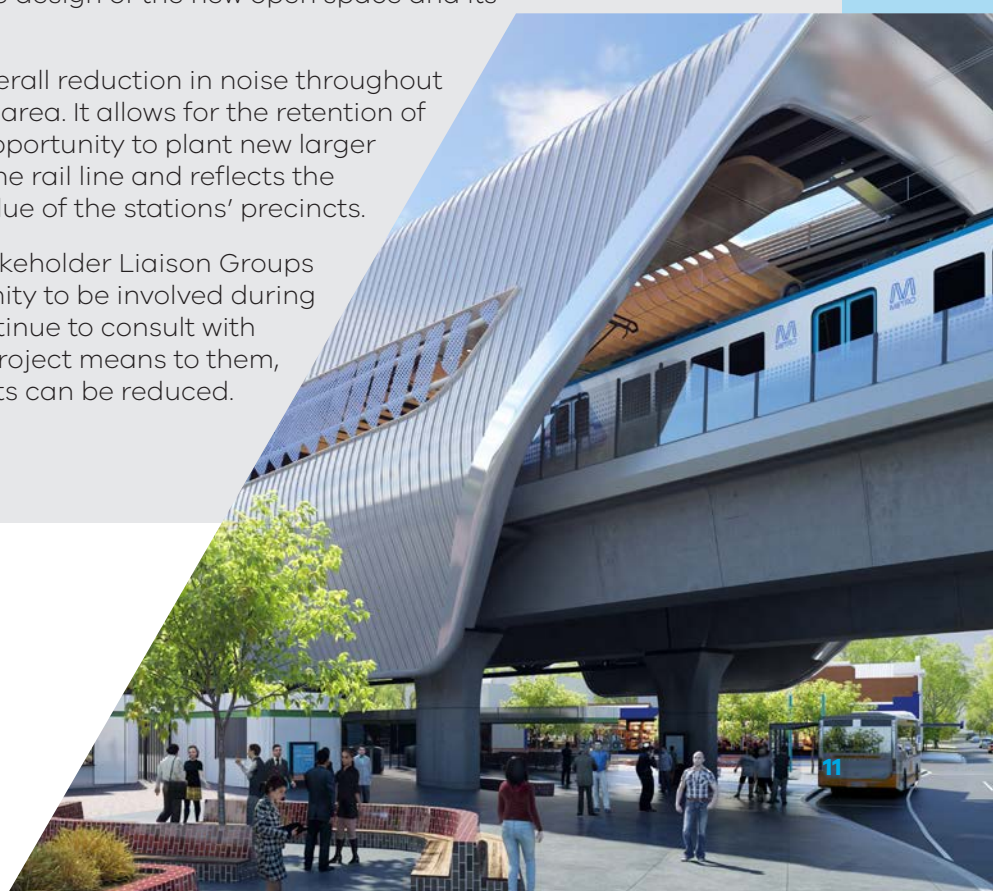
For example, an alliance with the private sector to deliver the Caulfield to Dandenong Level Crossing Removal Project has unlocked opportunities to create public value beyond the direct benefits from removing nine level crossings and building five new stations. The design for this project was informed by stakeholder engagement, design-led initiatives such as the Urban Design Framework for the Level Crossing Removal Project and by a dedicated urban design review panel process supported by the Office of the Victorian Government Architect to promote best practice urban design and quality.

The Level Crossing Removal Authority sought feedback prior to the development of designs and during consultation of proposed designs by the preferred bidder.

Apart from all the benefits to drivers and public transport users, the innovative design for this project will create over 225,000 square metres of open space, parklands and new community spaces. It also adds 17 kilometres of pedestrian and cyclist paths, creating a continuous path from Caulfield to the EastLink trail. A new Community Open Space Expert Panel is overseeing the design of the new open space and its maintenance.

The design will result in an overall reduction in noise throughout the corridor and surrounding area. It allows for the retention of more mature trees and the opportunity to plant new larger species of trees adjacent to the rail line and reflects the local heritage and cultural value of the stations' precincts.

The authority established Stakeholder Liaison Groups as an avenue for the community to be involved during the construction, and will continue to consult with the community on what the project means to them, and how any potential impacts can be reduced.



Case Study 2: State Library Redevelopment

State Library Redevelopment

The Victorian Government worked with multiple public and private agencies on the redevelopment, which is a prime example of a public/private partnership achieving social, environmental and economic value for the community.

Implementing an innovative procurement approach, the project will result in up to 40 per cent additional space for families, students, researchers and visitors of all ages to use.

These redevelopment initiatives will increase and broaden the State Library's ability to deliver services and to provide innovative programming to a broader audience throughout the state via a number of new platforms and partnerships. The project outcomes include:

- restoring Queens Hall, reopening it to the public for the first time in more than 12 years;
- e-Town Hall, allowing the library to stream programs, meetings and events to local libraries across regional Victoria and suburban Melbourne and from international sites;
- provision of special-needs training to teachers and support to children's learning regardless of their location;
- dedicated children's and youth space;
- a new centre for digital media focused on new and emerging technologies; and
- an entrepreneurship centre for small, medium and start-up businesses, with hot desks and spaces to collaborate, as well as offering tailored programming focused on building entrepreneurship.

Value capture

Value capture refers to government ***capturing a portion of the incremental economic value created*** by government investments, activities and policies. These actions may generate alternative revenue streams, assets or other financial value for Government which could assist in funding those investments and activities.

For example, when developing rail projects, the Victorian Government could consider the potential for granting rights to develop new sites created above or next to train stations for commercial and residential development. This opportunity could create economic benefits for the community (value creation), and generate alternative revenue for Government through the sale or lease of commercial properties. This revenue could partly offset the costs of delivering government services and enhance the wider social benefits and objectives associated with urban renewal.

However, the implementation of value creation mechanisms may not always be followed by the implementation of corresponding value capture mechanisms. The feasibility of implementing an efficient and fair value capture mechanism varies for each project.

In addition to wider economic, social and environmental benefits to the community from government investments, activities and policies, private benefits may include:

- **direct benefits** - e.g. improved services for users of social and economic infrastructure (such as public transport or road users) and increased land and business values for owners and occupiers of re-zoned land; and
- **indirect benefits** - e.g. increased land and business values for owners and occupiers of property near transport infrastructure, commercial benefits for people who harness unlocked opportunities (such as developers or service providers); and lower business costs due to reduced congestion of infrastructure.

As such, private beneficiaries can be diverse, including among others: transport users, hospital and school infrastructure; infrastructure operators (e.g. road operators such as Transurban, tram and train franchisees, and hospital operators); property owners, occupiers and developers; and businesses.

Figure 2 (page 16) outlines examples of relevant value capture mechanisms and beneficiaries.

In this context, it is important to appreciate the difference between funding and financing:

- **financing** is the money raised to pay for up-front project costs such as construction, including equity (e.g. raised by selling shares) and debt (e.g. raised by borrowing); and
- **funding** is the money used to repay the equity and debt over time, which usually comes from Government tax revenue or from the charges paid by infrastructure users.

It is also worth noting that existing taxes provide a limited, automatic value capture mechanism, in the sense that Government investments that increase the value of assets that are taxed, such as land and business activity, will automatically increase revenue to Government over time.

Victoria's planning system already includes a number of value capture mechanisms. Past and current infrastructure projects have incorporated mechanisms like property development rights and infrastructure contributions, which effectively captured a portion of the benefits from direct beneficiaries. The Growth Areas Infrastructure Contribution case study provides an example of one of the existing mechanisms currently used by the Victorian Government to capture a portion of the benefits from suburban development in Melbourne's growth areas to offset a portion of the costs of providing essential infrastructure.

Generally, governments use value capture initiatives to supplement their existing funding sources, like tax revenue. However, these mechanisms do not apply to all infrastructure proposals, and are unlikely to fully fund major projects. Highly successful cases like the Crossrail project in London, have only managed to fund a third of the project costs via value capture.

Case Study 3:

Growth Areas Infrastructure Contribution

Growth Areas Infrastructure Contribution

The Growth Areas Infrastructure Contribution (GAIC), is a charge established by the Victorian Government in 2010 to contribute to the funding of essential state infrastructure in Melbourne's newest suburbs. It is a one off-contribution recovering part of the increased value of designated growth corridor land when it was rezoned. It can be deferred or paid in stages under various circumstances related to buying, subdividing, and applying for a building permit on large blocks of land.

Money raised by the Growth Areas Infrastructure Contribution is allocated to fund State infrastructure and services in growth areas. It is equally split between public transport projects and community infrastructure.

An entity liable to pay a GAIC can agree with the government to offset part or all of its liability by providing land or infrastructure works to the State, or a combination of both. This is known as work-in-kind agreement.



Credit: Courtesy of Melbourne Metro Rail Authority

Case Study 4: Metro Tunnel

Integrated development and commercial opportunities for Metro Tunnel Project

The Metro Tunnel is at the top of Infrastructure Australia's priority list and is one of the largest public transport projects ever undertaken in Australia. The Metro Tunnel will help address Melbourne's most heavily congested lines and provide long term capacity for the rail network. This project will deliver benefits across most of Melbourne's rail network making it easier to move around the city and enhancing access to jobs, education, health and culture.

The project is being developed to maximise both direct and indirect benefits for Victoria. Direct benefits, if carefully integrated into the overall design of the project, could help to offset some of the project cost. Opportunities that are being explored could include:

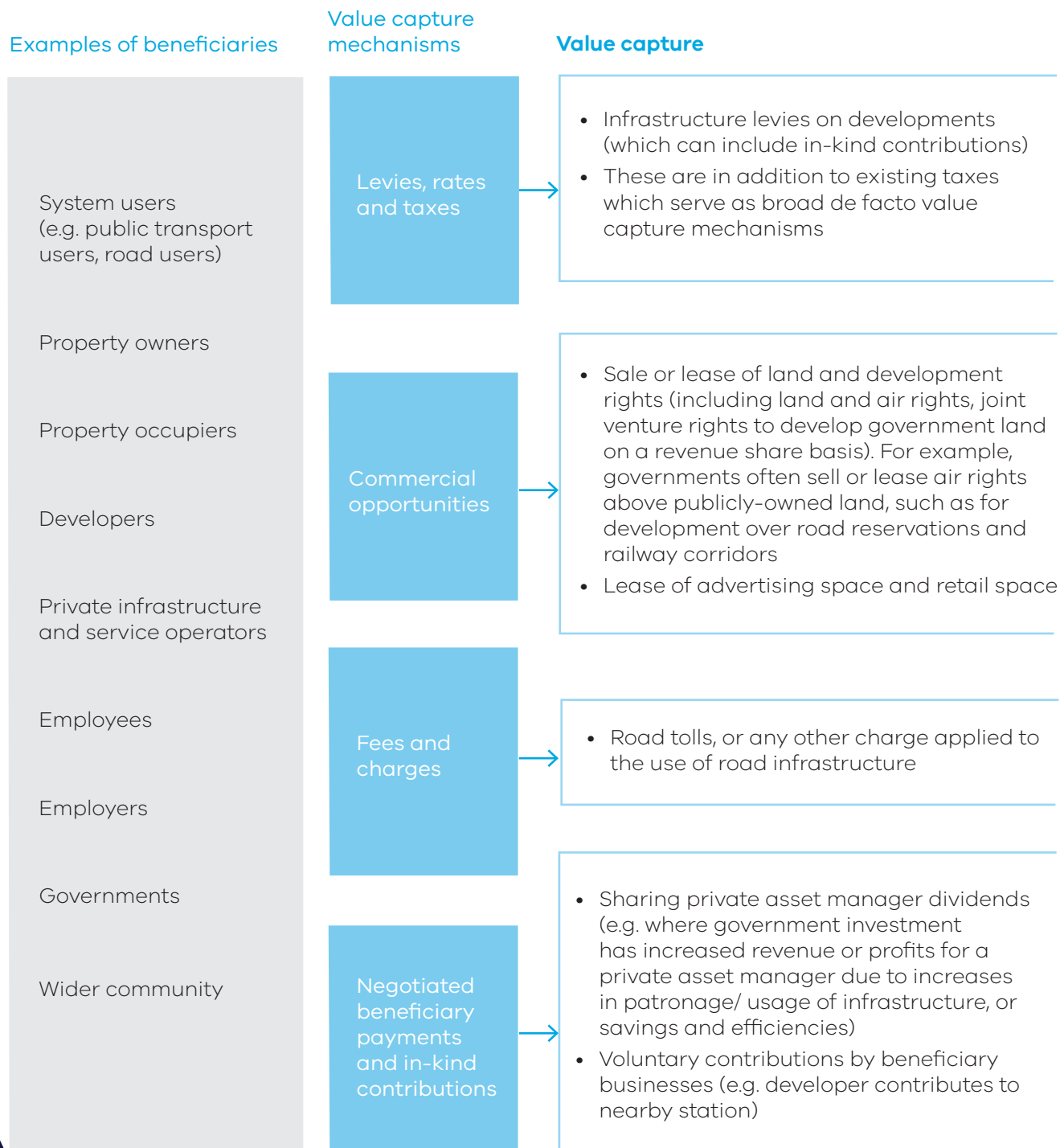
- integrated development over CBD North and South Stations;
- retail opportunities either within the stations or above ground station structures;
- revenue derived from station advertising; and
- revenue associated with new telecommunications infrastructure.

How the project will be procured also presents a significant value creation opportunity and a number of commercial packages are being used (such as a Private-Public Partnership and project alliances), to deliver the full program of work. Each commercial package has been selected for their ability to:

- derive best value for the state;
- provide greatest potential to improve amenity;
- partially offset the cost of projects; and
- drive design innovation by harnessing competition within the private sector.

An Urban Design and Architecture Advisory Panel, chaired by the Office of the Victorian Government Architect (OVGA), has been established to provide expert design advice for the project. The Panel consists of highly experienced built environment professionals (from the OVGA, their Victorian Design Review Panel and private practice), and will provide oversight across the range of commercial packages to ensure consistency in design and quality.

Figure 2: Value capture mechanisms and beneficiaries.





**Assessment of
broader value
opportunities will
help to ensure that
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choices on value for
money and societal
benefits.**

Victoria's Value Creation and Capture Framework

Role of this Framework

The purpose of this Framework is to encourage Government sponsors and delivery partners for capital investments, projects to develop public land, and precinct projects, to consider broader opportunities that enhance public value.

The Framework provides guidance on the extensive selection of value creation and capture tools proposed for consideration. Assessment of broader value opportunities will help to ensure that Government can make informed choices on value for money and societal benefits as part of the decision making process.

The Framework provides a menu of mechanisms that project sponsors should consider for inclusion in projects, as appropriate in the specific context and circumstances. The Framework does not provide guidance on making trade-offs between various policy objectives when using value creation or value capture tools, which will vary with each project.

This Framework will be complemented by Value Creation and Capture Plans for appropriate projects and, where relevant, the subsequent approach to market documentation which sets out value capture and creation objectives and approved mechanisms to guide private sector and non-government proponents.

Principles for applying value creation and value capture

In developing VCC mechanisms, project sponsors are required to consider the principles below, designed to balance efficiency and fairness, and deliver optimal outcomes.

Value creation opportunities pursued by Government should:

- respond to identified need;
- extend the focus beyond individual project objectives and take a broader approach to precinct and place that considers the objectives of other portfolios;
- consider wider economic, social and environmental objectives – including objectives of other agencies as they may relate to the precinct or project under consideration;
- consider future needs and requirements, intergenerational equity and environmental justice;
- consider all potential forms of value creation and a wider group of potential beneficiaries than the immediate user group for the project;
- take account of land use planning and regulatory requirements before market engagement;
- deliver net benefit, and be assessed as feasible and financially sustainable;

- align with relevant Government policies, strategies and legislation, such as Plan Melbourne, Government's 5-year Infrastructure Plan in response to Infrastructure Victoria's 30-year Infrastructure Strategy, and any legislative changes following Government's response to the Climate Change Act Review; and
- optimise design quality through high aspiration and best practice processes.

Value capture mechanisms pursued by Government should be:

- equitable, recognising government's core responsibility to build better communities;
- fair, by ensuring any costs to beneficiaries should not impose undue financial hardship;
- proportionate, by applying at a level that is demonstrably commensurate with the amount of private value created;
- cost efficient to implement and comply with;
- transparent and easily understood;
- consistent with government policy, by aligning with project objectives and broader government objectives;
- effective, not creating unintended consequences or driving alternative unwanted behaviours;
- evidence based, by ensuring benefits are quantified and attributable to government action;
- timely; and
- clearly communicated to stakeholders.

Victorian Government's policy objectives

There is a significant opportunity to increase the public returns on Government investment and activities, by introducing a consistent and comprehensive approach to value creation and capture, and re-orienting project development towards innovation to deliver broader Government objectives. This will ensure that the desired outcomes depicted in Figure 3 (below) can be achieved.

Figure 3: Key outcomes sought through value creation and value capture mechanisms

Value Creation Outcomes	Value Capture Outcomes
• Improved productivity, economic growth, employment and government revenue • Improved access to jobs, education, services, affordable housing and recreation • Increased asset values, including land and businesses • Unlocked commercial opportunities and development • Increased social and environmental capital • Enhanced public safety and amenity • Improved design quality in the built environment	• Increased investment and accelerated project delivery • Increased capacity to fund additional projects and services • Improved value for money through innovative design, timing and scope of infrastructure • Beneficiaries contributing to project costs in a fair and equitable way • Minimal public debt and safe AAA rating

Who should use this Framework

The Framework is primarily intended for use by Victorian Government departments and agencies with lead responsibility:

- for planning and developing capital investments projects;
- to develop public land and precinct projects; and
- for preparing various value creation and value capture documents under this Framework.

The Framework will also be used by supporting agencies that have a role in assisting the lead agency with that project, such as advisory agencies (including Land Use Victoria and Projects Victoria), delivery agencies (including the Victorian School Building Authority and Development Victoria), the Department of Premier and Cabinet, the Department of Treasury and Finance, local and federal governments and broader stakeholders.

This Framework is also intended to give private delivery partners guidance on what the Victorian Government is seeking to achieve. By sending the clear message, it will help the Victorian Government harness the creativity and ingenuity of the private sector more efficiently, allow bidders and partners to target value creation and capture opportunities more effectively, and create better outcomes for the people of Victoria.

By publishing this framework, the government is also indicating what the people of Victoria can expect, and clearly setting the standards we will strive to achieve.

Which projects are subject to the Framework?

General application

The Framework is intended to provide best practice guidance on value creation and capture for Victorian Government projects. All Government projects would benefit from applying this guidance to explore broader opportunities to enhance public value. In particular, the following types of projects would benefit from the Framework:

- **Precinct projects** involving co-ordinated action across Government to support urban renewal or other development outcomes across a defined geographic precinct.
- **Development of public land** for public or private urban uses other than infrastructure, including development projects by the public sector directly (e.g. by Development Victoria), development of public land in partnership with the private sector, or the sale of public land on the condition of delivering agreed development outcomes.
- **Capital investments**, such as infrastructure projects for transport, communications, energy, water, health, education, justice, emergency services, tourism, culture, sport or recreation.

Projects required to comply with the Framework

Figure 4: Projects required to comply with Victoria's Value Creation and Capture Framework

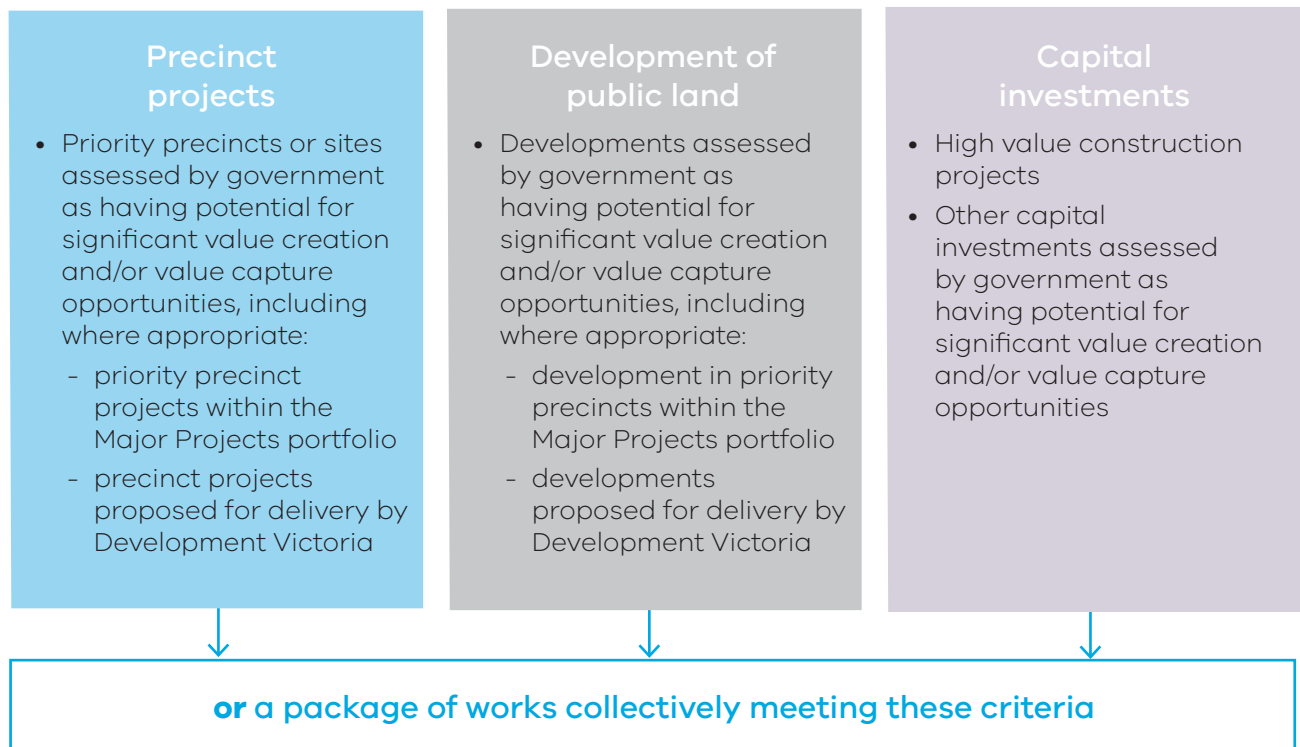


Figure 4 outlines certain projects that are required to comply with the Framework. This includes high value construction projects and projects that are assessed as having potential for significant value creation and/or value capture opportunities.

Generally, the definition of high value projects in the government context means projects with a total estimated investment of at least \$100 million (excluding maintenance and operational costs). However, Government maintains the flexibility to apply the Framework to projects with a total estimated investment lower than this figure if they are assessed as having potential to create and/or capture value.

The Framework also applies to other individual projects or a program of works that meet the definition of high value.

A program of works in this context can be defined as:

- a series of inter-related projects with a common aim; or
- a broad framework or policy concept that may result in a series of largely independent, smaller projects.

For example, where a program business case is prepared for a series of capital investments in a precinct that are collectively worth \$100 million, the Framework will apply to the program.

Figure 5: Victoria's Value Creation and Value Capture Framework Overview

	Precinct projects	Development of public land	Capital investments
Projects requiring VCC Plans	• Priority precincts chosen for their potential for significant value creation and/or value capture opportunities, including: - priority precinct projects within the Major Projects portfolio - precinct projects proposed for delivery by Development Victoria	• Developments chosen for their potential for significant value creation and/or value capture opportunities, including: - development in priority precincts within the Major Projects portfolio - developments proposed for delivery by Development Victoria	• High value construction projects • Other capital investments assessed by government as having potential for significant value creation and/or value capture opportunities
Project objectives	• Project sponsors will set out the Government's policy objectives for that precinct in a Statement of Intent (including broader objectives relevant to value creation and value capture)	• Project sponsors will set out the Government's policy objectives for that project in a Statement of Intent (including broader objectives relevant to value creation and value capture)	• Government will endorse a Statement of Intent setting out the Government's policy objectives for that project (including broader objectives relevant to value creation and value capture)
Strategic VCC Plan	• Project sponsors will prepare a Strategic VCC Plan, outlining VCC opportunities for the precinct as a whole (e.g. through infrastructure, planning, development, services), and individually for any related land development and capital projects	• Project sponsors will prepare a Strategic VCC Plan early in the business case development process • The Strategic VCC Plan will outline VCC opportunities proposed to be pursued with indicative values • It may cross-reference a precinct's Strategic VCC Plan, where relevant	• Project sponsors will prepare a Strategic VCC Plan, early in the business case development process • The Strategic VCC Plan will outline VCC opportunities proposed to be pursued with indicative values • It may cross-reference a precinct's Strategic VCC Plan, where relevant
Detailed VCC Plan	• No detailed VCC Plan required for the precinct project as a whole • However, capital investments and public land development within a precinct may require their own detailed VCC Plan	• A detailed VCC Plan will be prepared under the full business case • It may cross-reference a precinct's Strategic VCC Plan, where relevant	• A detailed VCC Plan will be prepared under the full business case • It may cross-reference a precinct's Strategic VCC Plan, where relevant

What does the Framework mean for individual projects?

The delivery of core infrastructure and service outcomes is paramount. However, where appropriate, projects should consider opportunities to deliver broader outcomes. To that end, government departments and agencies, as project sponsors, will be responsible for preparing a project-specific Statement of Intent, setting out the project objectives, as well as a Value Creation and Capture Plan (VCC Plan), for approval by the relevant portfolio Minister.

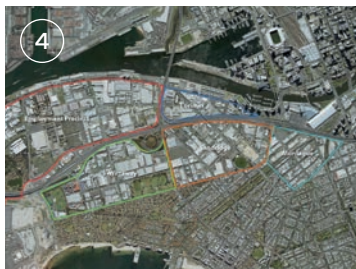
Figure 6 (page 24) describes various value creation and capture mechanisms that may be considered as part of the VCC Plan. This list is not exhaustive and may evolve as Government's value creation and capture processes further develop and mature.

In developing the project specific VCC Plan, lead departments and agencies should select value creation and capture options, as appropriate to the type of project, and the surrounding context and circumstances.

Figure 6: Description of value creation and capture mechanisms

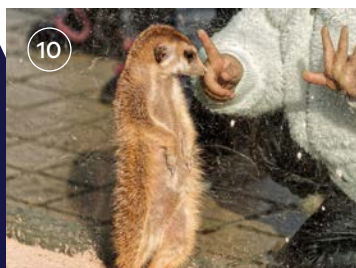
Value Creation	Initiative	Description	Examples	Implementation
	Strategic Land Use Assessment	The Victorian Government preparing a Strategic Land Use Assessment (SLUA) to provide advice on the optimal use for a state-owned site and inform policy and project objectives.	The Victorian Government has completed land use assessments of the Cheetham Saltworks site and broader Moolap precinct in Geelong to inform an urban renewal strategy.	Land Use Victoria (LUV) is a new entity being established by the Victorian Government with responsibility for land information and providing advice on the best future use of Government land. Once established, LUV may be engaged directly to complete a SLUA.
	Land creation	Creating new land (e.g. decking over rail tracks or new adjoining space for development or community uses).	Level crossing removals have used decking to create new land. Southern Cross Station decking delivered new buildings for The Age and Direct Factory Outlets.	Planning approvals required to change the use of land (e.g. commercial use above previous rail uses), overarching project-wide planning scheme amendments.
	Land consolidation acquisition and reservation	Consolidating land parcels, and acquiring and reserving strategic parcels, to enable development and infrastructure opportunities.	The Revitalising Central Dandenong project involves consolidating properties in seven hectares of central Dandenong. Land acquisition was required to complete the Darebin Yarra Trail cycling link. The Victorian Government has reserved the land corridor for the Outer Metropolitan Ring Road.	Planning scheme amendments can consolidate or reserve land. Compulsory land acquisition powers may be conferred under various Acts, including: • <i>Planning and Environment Act 1987</i> • <i>Major Transport Projects Facilitation Act 2009</i> • <i>Project Development and Construction Management Act 1994</i>

Value Creation



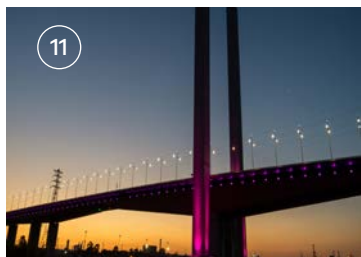
Initiative	Description	Examples	Implementation
Structure planning	Increasing precinct amenity, business activity and land values through co-ordinated land use, service and infrastructure planning (including planning to support transit oriented development).	Master plans for New York's Hudson Yards (including the final stage of the High Line park) and London's Canary Wharf (including a new Jubilee Line / Crossrail tube station) facilitated major urban renewals.	Precinct structure plans are inserted into planning schemes through planning scheme amendments.
Planning scheme amendments	Changing planning controls for one or more parcels of land to facilitate alternative land uses (e.g. changing zones and overlays).	Rezoning agricultural land for urban development on the fringe of existing settlements. Rezoning surplus government sites, such as former schools to ensure that planning certainty is delivered as part of the disposal process and value retained by government.	Rezoning is achieved through planning scheme amendments.
Planning conditions	Using conditions under planning schemes to achieve policy outcomes such as affordable housing, open space/community facilities, and energy efficiency.	New York planning rules provide for density bonuses based on delivery of public outcomes (e.g. affordable housing). The Victorian Government has recently introduced new planning controls which allow for a floor area uplift in return for providing public benefits.	These conditions would be implemented through planning controls such as overlay, precinct structure plan or incorporated document.
Third party incentives	Using financial, planning or other incentives for third parties to deliver development outcomes (e.g. reward councils for enabling greater density in middle suburbs, subject to adequate service provision).	The United Kingdom's "New Homes Bonus" provides payments to councils based on growth in housing supply.	Incentives would likely be contractual (e.g. through a grants scheme) or through zoning controls, rather than legislative. Another mechanism may be agreed relief from rate capping.

Value Creation



Initiative	Description	Examples	Implementation
Procurement conditions for urban development	Placing conditions on public land transactions (e.g. sales and leases) and/or development contracts to achieve policy objectives such as industry and skills development, preferential procurement or employment outcomes (e.g. for disadvantaged employees or traditional owner groups), affordable housing, educational facilities, open space, community facilities, energy and water efficiency, and biodiversity, among other objectives.	VicUrban (now Development Victoria) used land covenants at the "Aurora" development to deliver a 6-star energy efficient suburb.	These conditions can be imposed through the use of section 173 agreements (under the <i>Planning and Environment Act 1987</i>), planning controls, or contract conditions.
Procurement conditions for infrastructure	Using social procurement policies for infrastructure projects to achieve policy objectives such as industry and skills development, preferential procurement or employment outcomes (e.g. for disadvantaged employees or traditional owner groups), open space, community facilities, or resilience of infrastructure to climate change, among others.	Procurement for the Caulfield to Dandenong level crossing removals and for high capacity metro trains has incorporated specific local content and training requirements, consistent with Government procurement policies, including the Victorian Industry Participation Policy and the Major Projects Skills Guarantee.	Procurement documentation (Expression Of Interest/Request For Proposal) and contracts can specify that policy outcomes should be delivered. Tenderers could be encouraged to suggest new ways to meet broader social procurement objectives.
Innovation through procurement	Harnessing private sector ideas and know-how by using output specifications in procurement, to deliver better value assets and services (e.g. higher quality, lower cost, more timely, safer).	Caulfield to Dandenong level crossing removal alliance – new open space, more limited service disruption. Royal Children's Hospital Public Private Partnership (PPP) – delivery of an aquarium and a meerkat display.	Procurement models, such as early contractor involvement, alliance and PPP models, can allow flexibility for innovation (e.g. documentation could specify that commercial opportunities minimising the need for capital investment should be included).

Value Creation

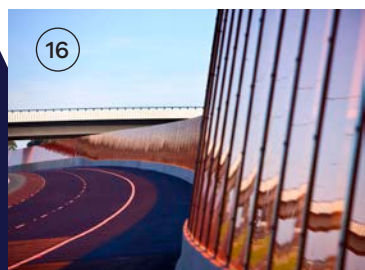


Value Capture



Initiative	Description	Examples	Implementation
Private finance and ownership	Using private finance and ownership models (e.g. PPPs) or contracting private sector managers to: - Finance construction; and - Improve efficiency and reduce maintenance costs, through whole of life cycle infrastructure design	CityLink was constructed under the “Build, Own, Operate, Transfer” PPP model, involving temporary private possession, management and maintenance of a state asset. This arrangement both finances construction and minimises maintenance costs.	Financing models such as PPPs can be used to leverage private finance and innovation. This currently occurs for a range of infrastructure, including social infrastructure such as schools and transport infrastructure.
Victorian Design Review Panel	Using the Office of the Victorian Government Architect’s Victorian Design Review Panel (VDRP) to improve the quality of design in the built environment.	The Office of the Victorian Government Architect has influenced better design outcomes for some of Victoria’s most successful projects, such as the Melbourne Recital Centre, AAMI Park and the Melbourne Convention Centre	Significant public and private development projects undergo independent design review by the VDRP. These are projects that are significant due to their size or uses, their site, or an importance greater than these factors would suggest (e.g. “precedent” project).
Property development rights	Granting property development rights to offset the cost of delivering infrastructure (i.e. in return for lower infrastructure costs to Government and/or work-in-kind). Development rights may include: - land (e.g. lease or freehold); - air rights (e.g. rights to develop over rail or road infrastructure); and/or - joint venture rights to develop Government land on a revenue or profit share basis (e.g. brownfields urban renewal enabled by new infrastructure).	Development rights are packaged with the Metro Tunnel and were previously sold in exchange for development of Melbourne Central. In Hong Kong, developers sold land and development rights in a package, so that developers earn back their investment in rail development through increased value of adjacent property.	Public land or air rights above this land could be sold to the private sector with negotiated agreements to deliver infrastructure or other policy outcomes.

Value Capture



Initiative	Description	Examples	Implementation
Commercial opportunities	Creating and harnessing commercial opportunities from public infrastructure to generate revenue.	Retail and office facilities and advertising at Southern Cross Station are sources of revenue. VicTrack has installed fibre optic cable along rail corridors, which it uses to supply broadband services.	Allow commercially viable opportunities to be pursued as part of contracts, e.g. advertising on rolling stock and stations/stops as part of the train and tram franchise agreements – this reduces the concessions payable to the franchisee.
Infrastructure levies on development	Applying existing infrastructure levy mechanisms on developments. These can be subject to a value threshold, and may allow cash and/or in-kind contributions.	Special Infrastructure Contributions apply to developers of rezoned areas in Sydney to capture the increased property value following rezoning. The London Crossrail is partly funded by a community infrastructure levy on planning permits issued for most new developments in London. Development Contributions, Infrastructure Contributions and Growth Areas Infrastructure Contributions apply in Melbourne. Development Victoria can declare projects for which contributions are payable.	Levies can be imposed in a number of ways, including through an overlay in the planning scheme (as is the case with Development Contributions Plans) or through contribution requirements on land titles (as is the case with Growth Areas Infrastructure Contributions).
Road tolls	Applying user charges on specific new roads.	Currently in place on EastLink and CityLink, and will be used for the Western Distributor.	Road tolls are levied by the private operator of a toll road, as part of an agreement with State Government to deliver new road infrastructure (e.g. PPP). Legislation or regulation is often required to regulate the toll amounts.

Photo credit: Courtesy of ConnectEast Group, the owner and operator of EastLink

Value Capture



Initiative

Description

Examples

Implementation

Private asset manager user charges uplift

Recovering, from a private infrastructure manager, a portion of the uplift where State infrastructure investment increases use (e.g. train patronage), generating an automatic uplift in user charges (e.g. myki fares). This is not an increase in ticket prices, but an increase in revenue given the additional users.

Melbourne's metropolitan train and tram contracts include this mechanism.

Mechanisms are agreed contractually.

Private asset manager efficiency dividend

Recovering, from a private infrastructure manager a portion of the uplift where state infrastructure investment generates savings and efficiencies (e.g. through greater scale, more efficient service delivery across the network).

Melbourne's metropolitan train and tram contracts include this mechanism.

Mechanisms are agreed contractually.

Voluntary contributions by beneficiary businesses

Negotiating funding contributions from key business beneficiaries.

London Crossrail was partly funded by capital contributions from Heathrow Airport, Canary Wharf Group and Berkeley Homes.

The State Government would enter into agreement with key stakeholders for voluntary contributions to be paid towards the cost of infrastructure.



**Value creation
and value capture
will ensure that
projects maximise
environmental,
social and
economic value.**

What does it mean for the public?

The new approach to value creation and value capture will ensure that projects optimise environmental, social and economic value. This value might come in the form of open space, affordable housing, smarter design and better transport links.

Value creation and capture will require projects to consider their broader context and the potential to improve a wide range of aspects of people's lives. It also means maximising the social dimension to value for money, and that project costs can be met at a lower burden on taxpayers.

Furthermore, the focus on optimising the public value created will help making the most out of social procurement policies like the Major Projects Skills Guarantee and the Victorian Industry Participation Policy. Resulting in increased opportunities for apprentices and trainees and local industries, with longer-lasting benefits beyond project-specific outcomes.

The Victorian Government recognises that successful engagement and consultation with a wide variety of stakeholders is crucial in shaping future infrastructure investments. This new approach for delivering infrastructure will give new impetus to the numerous public consultations the State Government undertakes to address a wide range of key questions and issues.

What does it mean for the private sector?

The private sector will now have a set of clear and consistent principles and a wider range of opportunities to partner with Government. It means more transparency and certainty regarding Government's expectations for infrastructure projects, as well as providing guidance for the type of innovative ideas that could be supported.

What does it mean for Government?

The Victorian public service now has a clear direction to apply a new way of thinking and to focus on pursuing greater value in infrastructure project delivery.

The approach outlined in Victoria's VCC Framework also provides a clear rationale for project sponsors to align their value creation objectives with those of local governments as part of their stakeholder engagement processes. For example, project sponsors seeking to maximise the public value created by state infrastructure investments could agree with local governments to align the delivery of state and local infrastructure to further amplify the benefits of their respective projects.

How the Framework fits with other Government policy

Victorian State Planning Policy Framework

The Victorian State Planning Policy Framework sets out formal land use planning policies and principles that apply to value creation and capture tools such as planning controls and development contribution plans. This includes broader policy objectives such as economic development, water and environmental management, open space and housing development.

Victorian Government Land Management Framework

Victorian Government landholding policies and guidelines set out the conditions on which land may be sold, leased or acquired, including various assessments, actions and approvals that must be completed to enable various value creation activities involving public land. A key task is to obtain strategic land use assessments to identify public land values and the highest and best use of a site.

Victorian Design Review Panel process

The Office of the Victorian Government Architect's (OVGA) Victorian Design Review Panel offers design advice at key stages of the project through independent peer review by design experts and technical specialists. The OVGA also plays a role in design evaluation panels and processes. This supports value creation by raising design quality, ensuring value for money and identifying lateral opportunities.

Victorian Climate Change Framework and climate change legislation

Victoria's Climate Change Framework sets out a vision for Victoria in 2050 and the approach to achieving it. This includes the steps the Government is taking to commence the transition, how proposed legislative changes will drive action to 2050, and the transition required across the economy. The changes proposed to climate change legislation include Victorian Government's climate change policy objectives and guiding principles, which will need to be considered for any Government decisions. This will include, for example, decisions regarding infrastructure investments which should be informed by assessments of climate risks and their contributions to Victoria's emissions.

