

Victoria's Value Creation and Capture Guidelines

Information for precincts, development of public land and capital investments

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Introduction

The purpose of this document

The Department of Premier and Cabinet (DPC) has developed Victoria's Value Creation and Capture Framework Guidelines (Guidelines) to assist in the preparation and implementation of the Victorian Government's value creation and capture (VCC) policy across Victoria's wide range of projects, public land developments and precinct projects (each, a project).

The Guidelines provide direction to:

- departments and agencies regarding how to deliver Victoria's Value Creation and Capture Framework (Framework) requirements to investigate and identify broader VCC opportunities from government investment; and
- project sponsors, delivery agencies and advisory agencies regarding how to comply with the requirements of the Framework, including the development, evaluation and delivery of VCC documentation.

These guidelines should be considered alongside the Framework. For the avoidance of doubt, where there is any inconsistency between the Framework and the Guidelines, the Framework will prevail.

Templates for the Statement of Intent, Strategic Plan and Detailed Plan have been made available online at <https://www.dpc.vic.gov.au/index.php/news-publications/value-creation-and-capture-framework>. The full suite of documentation is set out in the graphic below:



Who should use the Guidelines?

Project sponsor

The project sponsor is responsible for applying the Framework (including the development of VCC documentation) for the relevant project.

Where there are multiple project sponsors acting in concert, a memorandum of understanding should set out roles and responsibilities, funding and risk allocation between sponsors.

As part of its role, the project sponsor will need to ensure that it has appropriate resources who possess a blend of skills to drive the development of VCC opportunities, and will need to engage across government to consider opportunities that create or generate value that exist outside the core project.

Advisory agencies

The development and implementation of VCC requires a range of technical information and skills throughout all stages of a project, from objective setting through to project delivery, including the development of the VCC documentation. Project sponsors may need to draw on advice from a range of stakeholders to develop their VCC plans, including:

- policy subject matter experts in Government departments and agencies;
- agencies with specialist advisory functions, such as Transport for Victoria (TfV), the Office of the Director-General (OCG), Victorian Planning Authority (VPA), Land Use Victoria (LUV), Office of Projects Victoria (OPV) and Infrastructure Victoria;
- delivery agencies who will have responsibility for delivering the agreed projects, such as the Victorian Health Building Authority, Victorian School Building Authority or Development Victoria; and
- operators and end-users of the infrastructure or land, such as service franchisee(s).

Some of these advisory bodies may provide formal advice to support the project sponsor in delivering VCC documentation, including:

- Precinct Structure Plans prepared by the VPA that may inform more detailed strategic or land use planning;
- Strategic Land Use Assessments prepared by LUV to identify and prioritise land use options for public land from a whole of government perspective; and
- formal advice on a specific matter prepared by Infrastructure Victoria, which may be subject to a formal request by the responsible Minister.

Private and community sectors

The private and community sectors may be involved in the development and delivery of projects as advisers, partners, project proponents (e.g. for market-led proposals) or as project operators. For example, a public housing project may have private developer and community housing partners.

Private sector advisors may also be involved in providing expertise in the development and implementation of VCC.

Other levels of government

Where a project is jointly funded by the Commonwealth government or a Local Government Authority (LGA), the Commonwealth and/or LGA will be a significant stakeholder and may even be a project sponsor. Consultation with these parties is essential during the development of VCC documentation.

In addition, LGAs will play a key role in garnering community support for certain VCC opportunities. They will be at the forefront of community engagement, particularly for local projects, where value capture mechanisms are being deployed. In addition, the VCC opportunities identified are likely to include the creation of local infrastructure and other assets that will be owned and maintained by LGAs. Early engagement by the project sponsor is key to achieving support for the delivery of these opportunities.

Key concepts

The Framework

The Framework was endorsed by the Victorian Government in November 2016. The purpose of the Framework is to encourage government sponsors of capital investments, projects to develop public land and precinct projects to maximise environmental, social and economic value of government investment. This requires projects to consider VCC opportunities that maximise public value beyond the core scope of the project, while also ensuring that the selected opportunities remain secondary to the project objective.

VCC provides an opportunity to increase the public return on government investment by introducing a consistent and comprehensive approach, and ensuring project development encompasses broader government objectives.

The Framework does not provide guidance on making trade-offs between various policy objectives when using VCC tools, which will vary with each project.

What is value creation and value capture?

Value creation

Value creation refers to actions, activities or policies that deliver enhanced public value above and beyond what would ordinarily be achieved as a direct consequence of a government investment.

A core objective of all government activities and investments is to create public value. Government seeks to maximise the benefits of a project by ensuring that all opportunities for value creation are explored.

A mechanism is an intervention or deliberate decisions regarding scope that will create and/or capture value. An example of a value creation benefit and the possible mechanism is outlined below at Table 1. Appendix A provides a selection of value creation mechanisms with examples.

Table 1 – Example of a value creation benefit and mechanism

Core Project Objective	Value Creation Benefit	Opportunity	Mechanism
Redevelop a Hospital to increase operational capacity	Increase the environmental sustainability of the precinct	Incorporate waste-to-energy management systems into the design of the precinct	Implement best practice waste-to-energy management streams (making the precinct a demonstration site in Victoria)

Value capture

Value capture refers to actions, activities or policies by which government captures a portion of the incremental value created by a project.

These actions, activities or policies serve to generate additional revenue streams, assets or other financial value for government. Generally, governments use value capture initiatives to supplement their existing funding sources (such as general tax revenue).

An example of a value capture benefit and the possible mechanism is outlined in below at Table 2. Appendix A provides a selection of value capture mechanisms with examples.

Table 2 – Example of value capture benefit and mechanism

Core Project Objective	Value Capture Benefit	Opportunity	Mechanism
Development of a brownfield train station to increase reliability	Increase economic return on government assets	Sell property development rights and surplus land to offset the cost of delivering infrastructure	Property development rights

Outputs required by the Framework

The Framework requires that eligible projects:

- identify appropriate VCC objectives, outcomes and mechanisms;
- prepare a Statement of Intent and Strategic Plan;
- analyse the mechanisms to a standard which will enable a government investment decision to be made;
- develop a Detailed Plan which includes the analysis for submission alongside a business case; and
- include VCC requirements in the procurement stage of the government investment process.

Differences between capital investments, development of public land and precincts

Precincts and the development of public land

Precinct projects (and depending on their scale and location, public land development projects) differ in nature from capital investments. They offer the opportunity to implement whole of government policy in a particular location, bringing together various activities across government including land use planning, service planning, capital investments and land development.

Different development scenarios exist for precincts and the development of public land. The policy/interventions options available to government will require varying effort and be of varying scale, often with implementation through the private sector or through LGAs.

For precincts or the development of public land, the available VCC opportunities tend to increase in line with the intervention potential for government. These may include VCC opportunities as detailed in the below table.

Table 3 – Potential intervention and example VCC opportunities for precincts and the development of public land

Potential intervention	Description	Example of VCC Opportunities	
		Precincts	Public land development projects
Market driven	Development occurring naturally due to high appeal	Market-driven planning scheme amendments that reflect 'highest and best use' principles	Procurement process to utilise government land to facilitate 'highest and best use' principles
Facilitated	Government interventions to encourage development	Planning scheme amendments that require the private sector to deliver particular public policy outcomes or the implementation of a targeted investment attraction approach and incentivisation	Planning scheme amendment requiring certain outcomes on a site and conditions of sale that establish requirements for a developer upon divestment by the state
Catalytic	Government initiated developments to promote development	Acquisition of land by government to deliver particular outcomes, including delivering built form outcomes that the market is yet to provide, providing accommodation for targeted tenants or improving the public realm	A long-term lease to facilitate development to enhance a precinct, while retaining government's capacity to realise greater VCC outcomes on the site through future redevelopment

Examples of public land development projects include Fitzroy Gasworks and parcels of surplus government land (e.g. former school sites).

As the process for precincts and public land development projects varies project by project, it is recommended that proponents seek guidance early in the commencement of the project to determine the best time to undertake a VCC assessment. It is essential to ensure the VCC assessment is integrated with the overall project program. This ensures that it can inform

decisions as the project progresses. This will also enable adequate consideration of the trade-offs associated with implementing VCC and other outcomes for the precinct or parcel of land, noting that the implementation of VCC will likely impact on project feasibility in both instances.

Capital investments

VCC documentation for High Value High Risk (HVHR) capital investments will be developed by the project sponsor in stages through DTF's Investment Lifecycle and HVHR Guidelines.

Implementing the Framework

Figure 1 provides a high-level overview of executing the VCC process. For capital projects, VCC will be developed in stages throughout the Investment Life Cycle.

Figure 1 – Overview of the VCC process



VCC process

Stage 0. Vision and objective

A core project vision and objective must exist prior to consideration of VCC opportunities

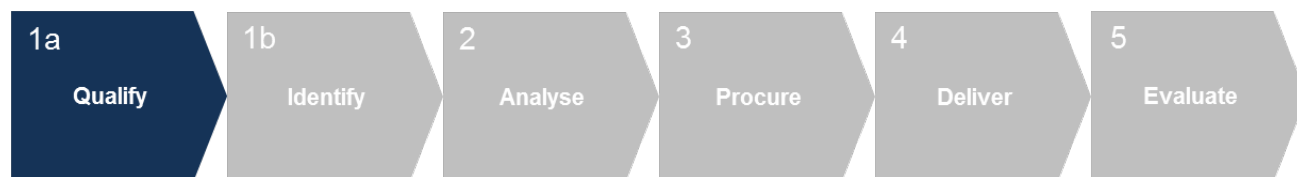
It is essential that, prior to the commencement of the VCC process, there is sufficient certainty as to the vision and objective of the core project forming the relevant Government investment or intervention. Having a clear understanding of the core project will allow for the development and consideration of VCC opportunities which either deliver or capture additional public value beyond that which will be delivered by the core project.

For precincts, it is usually the development of a project’s vision or a framework plan that enables the consideration of VCC opportunities. This may also be the case for the development

of public land. However, in the event that land is declared as surplus, the Strategic Land Use Assessment process may enable the assessment of VCC opportunities instead.

For capital projects, an objective is most commonly developed through Investment Management Workshops and development of a business case. This includes investment logic and benefit mapping, outlining the project definition, and provision of guidance on government policy objectives for the project.

Stage 1a. Qualify



The first VCC stage (*Qualify*) that a prospective project must undertake involves determining whether the project has the requisite characteristics for compliance with the Framework.

How to comply with this stage

Determine the eligibility of your project

Many government projects could benefit from the application of VCC, so that broader opportunities to enhance public value are fully considered.

In addition, certain Projects are **required** to comply with the Framework, such as capital projects with a total estimated investment which exceeds \$100 million. The full list of projects which must comply with the Framework is outlined below.

For projects with an estimated investment of less than \$100 million, it may still be worthwhile developing a VCC plan if the project has potential for significant VCC opportunities. For example, a project to build a new multi storey carpark with a total estimated investment of \$75 million may have the potential for significant VCC opportunities with the development of vertical gardens and ground floor retail space. Therefore, even though the project does not meet the quantitative threshold for a project to be mandated to follow the Framework, the project would be required to follow the Framework.

Projects required to comply with the Framework

The following types of projects must comply with the Framework:

- **Precinct projects:** precincts or sites with potential for significant VCC opportunities;
- **Development of public land:** developments with the potential for significant VCC opportunities, including those developments delivered by Development Victoria, developments by other government entities in precincts, and surplus government land; and
- **Capital investments:** construction projects with a total estimated investment of at least \$100 million (excluding maintenance and operational costs), or other capital investments which have been assessed as having potential for significant VCC opportunities.

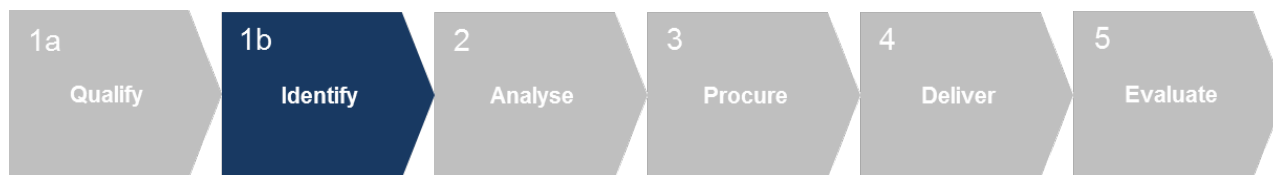
The Framework also applies to a program of works which collectively meets the above criteria. In this context, a program of works is defined as:

- 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, small 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 program must comply with the Framework.

If a project sponsor is unclear about whether it is required to comply with the Framework, or would benefit from doing so, the sponsor should contact DPC.

Stage 1b. Identify



Once the project scope has been sufficiently developed and it has been determined that it should meet the Framework, Stage 2 (*Identify*) is for the project team to identify appropriate VCC objectives, benefits and mechanisms.

Projects will need to think broadly to ensure that all opportunities to create value outside the core project scope are considered. To maximise the opportunities considered through this stage, it is recommended that the project sponsor engage across government departments and agencies.

At the completion of this stage, projects should have:

- identified an appropriate VCC objective, its benefits and associated beneficiaries;
- considered and selected appropriate VCC mechanisms; and
- developed a Statement of Intent and Strategic Plan detailing the above information.

How to identify appropriate VCC objectives, outcomes and mechanisms

Step 1 – Identifying VCC objectives

A VCC objective defines the focus of VCC opportunities considered.

Value creation objectives should identify the additional value that will be created and the targeted benefits of that value created.

Value capture objectives should consider opportunities based on the incremental value of the benefits delivered by the project, including both the core project benefits and any additional benefits from value creation.

In developing the VCC objectives, projects should consider the principles for applying VCC as set out in the Framework. Project sponsors should clearly identify and separate the core objective, benefits and scope of the project to the VCC objective, benefits and mechanisms.

Step 2 – Identifying VCC benefits

VCC benefits describe the notional flow of additional value (in the eyes of the State) to a beneficiary attributable to the achievement of desirable outcomes. Each VCC objective should have a number of corresponding VCC benefits that are clearly attributable to an objective and a corresponding beneficiary.

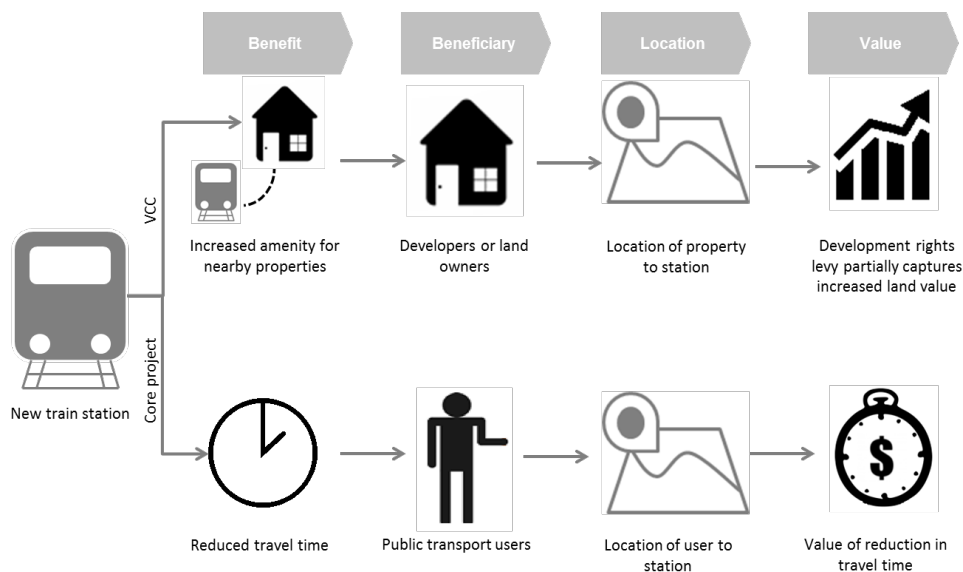
The following are some examples of VCC benefits:

- **Economic benefits:** increased growth and job opportunities; improved workforce participation; increased demand for land or floor space;

- **Social benefits:** public housing; improved access; enhanced public safety; increased recreational infrastructure such as bike paths and parks increased connectivity; and
- **Environmental benefits:** cities and towns mimicking natural catchments; increased energy and/or water efficiency; and building sustainability; climate change adaptation; decreased greenhouse gas emissions.

Infrastructure projects create value for a number of different beneficiaries. Figure 2 illustrates an example of the relationship between an infrastructure project, the benefits created, the beneficiaries and the mechanisms used.

Figure 2 – Benefits attributable to beneficiaries



Step 3 – Selecting appropriate VCC mechanisms

A VCC mechanism is the action or intervention which will assist in achieving the VCC benefit to create value for specific individuals or groups.

VCC mechanisms vary greatly and range from creating additional land through design changes within a project to levies on property development rights.

VCC mechanism checklist

VCC mechanisms should reflect the context and circumstances of the project. When selecting mechanisms, decision-makers should consider:

- the principles outlined at page 18 of the Framework;
- the specific context and circumstances of the project (as the suitability of a mechanism will differ depending on the nature of the core project, with different mechanisms more or less appropriate for a road, a hospital, or development of public land);
- the beneficiaries of the mechanism (noting that the beneficiaries of VCC mechanisms may differ from the beneficiaries of the core project);
- the incremental value to be created or captured by the mechanism;
- for capital projects only, the governance arrangements necessary to further develop the Detailed Plan;

- whether the mechanism is proportionate (in terms of value) to the project;
- the estimated cost to further develop or implement the mechanism;
- any economic, social or environmental impact (either positive or negative) of the proposed mechanism;
- the distribution of these impacts among the public (e.g. geographically and/or demographically) and the extent to which they are fair, reasonable and equitable;
- any threats to implementation of the mechanism, and issues or opportunities, including for other tiers of government or stakeholders; and
- the proposed next steps, including resources, stakeholder engagement, to further develop and implement the mechanism.

When identifying value capture mechanisms, project sponsors should be aware that the use of these alternate funding streams can be expected to greatly increase the level of scrutiny by the public and other stakeholders. Accordingly, it is expected that additional transparency in decision-making will be provided for these mechanisms.

Suggested workshops

It is suggested that project sponsors hold at least one workshop to identify the VCC objectives, benefits and mechanisms for their relevant project, and to determine their key risks and issues.

To maximise the outcomes of any workshops held, it is important that project sponsors consult with a variety of stakeholders and that workshops be attended by:

- relevant policy sponsor departments; and
- agencies with specialist advisory functions for capital investments and development of public land, such as the VPA, LUV, OPV and Infrastructure Victoria; and
- delivery agencies who will have responsibility for delivering the agreed projects, for example the Victorian Health Building Authority, Victorian School Building Authority or Development Victoria.

Step 4 – Developing a Statement of Intent and Strategic Plan

The VCC objectives, benefits and mechanisms identified during this Stage 2 (*Identify*) must be detailed in a Statement of Intent and Strategic Plan.

When developing VCC documentation, the project sponsor should ensure that governance structures are in place to support development of the VCC documentation. This may be done within existing governance structures, or the establishment of a VCC coordination or working group.

For capital investments and the development of public land, the Statement of Intent and Strategic Plan may be completed as a combined document.

For precincts, project sponsors will be required to prepare a Statement of Intent and Strategic Plan. This is usually developed further once a precinct vision has been developed. This Statement of Intent should align with relevant strategic planning undertaken by the VPA, DELWP or other relevant department(s).

Statement of Intent

A Statement of Intent should outline the project's vision and objective as considered at Stage 1a (*Qualify*) and outline the VCC objectives and benefits to be delivered by the project.

Further guidance of the development of the Statement of Intent can be found in the Statement of Intent template available at <https://www.dpc.vic.gov.au/index.php/news-publications/value-creation-and-capture-framework>.

Strategic Plan

For capital projects, a Strategic Plan should identify the VCC mechanisms that have potential to deliver the greatest VCC benefits and warrant further investigation through the development of the Detailed Plan.

For precincts, the Strategic Plan should identify the public land development and capital projects planned for the precinct, including identifying which VCC mechanisms facilitate, fund or will be implemented through these projects, as well as which projects (within the precinct) will be subject to their own independent VCC assessment.

A Strategic Plan should address each item of the VCC mechanism checklist.

Further guidance of the development of the Strategic Plan can be found in the Strategic Plan template available at <https://www.dpc.vic.gov.au/index.php/news-publications/value-creation-and-capture-framework>.

Common pitfalls and challenges when developing VCC documentation

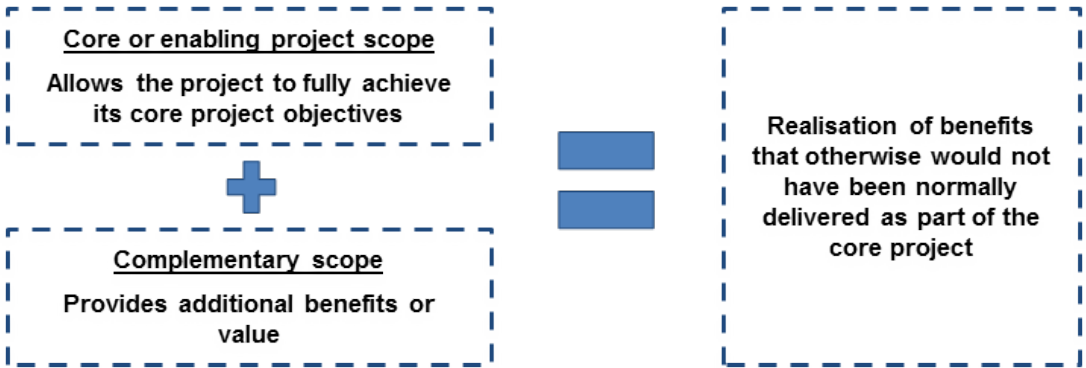
Core scope identified as VCC mechanisms

The identification of VCC mechanisms is best completed following the project problem identification and scope development. A key aspect of the Framework is to create and/or capture additional value from government investment. When identifying VCC objectives, benefits and mechanisms, project sponsors should be seeking opportunities to create and/or capture value above and beyond the core project scope. It is important to clearly differentiate between the core scope and project benefits, and the VCC benefits and mechanisms, to ensure that decision-makers can make an informed investment decision.

The project scope can be defined as either:

- **core or enabling project scope:** essential for the project to fully achieve its core project objectives or mitigate unacceptable impacts as per traditional project development; or
- **complementary scope:** provide additional benefits or value and capitalises on the opportunities created by the project.

Figure 3 – VCC Framework outcomes



VCC mechanisms which require a separate funding decision

When identifying VCC mechanisms, project sponsors should ensure mechanisms leverage the core project scope. This ensures the Framework meets the core policy objective of VCC: to create and/or capture additional public value from government investment.

The VCC mechanism must also be achievable as a result of the core project being developed and that there is generally a time imperative for the mechanism to be completed concurrently to the project.

Where VCC mechanisms identified do not require changes to the core project scope and/or can be delivered at a later stage, these VCC mechanisms should be subject to a separate funding decision.

Due to the extended implementation timeframes for precincts and the need for both precinct level and project-based implementation of VCC, the delivery of core project scope and VCC mechanisms may not align and a series of separate funding decisions may be required. These will be based on the Strategic Plan that has been developed for that precinct.

Beneficiaries not clearly identified for the project and individual VCC mechanisms

Each VCC mechanism and objective could benefit alternative beneficiaries, some of whom may not be beneficiaries of the core project. Correctly aligning each mechanism with its corresponding beneficiary enables effective quantification of benefits and provides further information to aid government in its consideration of the proposed VCC mechanisms.

VCC mechanisms may change in line with the core project scope

The selection of VCC mechanisms is an iterative process. As projects develop and optimise their design, changes to core scope may occur, resulting either in changes to the VCC mechanisms or VCC mechanisms becoming core scope and vice versa. Any changes should be reflected in the most current VCC documentation to be considered by government.

Stage 2. Analyse



Following the submission and consideration of the Strategic Plan, project sponsors will identify which VCC mechanisms to pursue for further analysis. This analysis will form the basis of the Detailed Plan and generally will be submitted to government accompanying the business case, to obtain an investment decision. Another consideration for the business case is the procurement model which may affect how VCC opportunities are prosecuted.

A Detailed Plan is not required for precincts. However, relevant capital investments and public land development projects within the precinct may be subject to the Framework if they meet the criteria. These projects will have their own Strategic and Detailed Plans. These may cross-reference, and will be consistent with, the overarching Statement of Intent and Strategic Plan for the precinct.

How to analyse and calculate VCC mechanism costs and benefits

Step 1 – Calculate the benefits and costs of each VCC mechanism

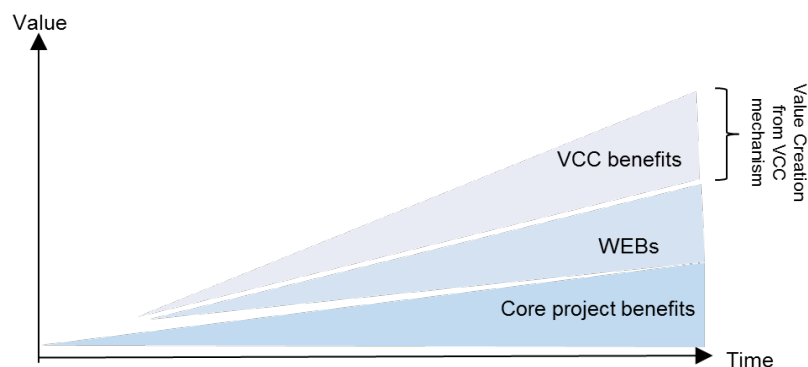
For government to be able to make an investment decision, detail needs to be provided as to the costs and benefits of each VCC mechanism.

Calculating VCC benefits

The benefits of a project can accrue to a wide range of beneficiaries (outlined at Figure 4), and are comprised of:

1. **Core project benefits:** Value delivered from core project.
2. **Wider economic benefits (WEBs):** Economic assessment of wider economic benefits for user benefits – metro/state-wide, productivity and liveability.
3. **Benefits created or captured by VCC mechanisms (VCC benefits):** Value created due to the project and additional opportunities delivered (property, amenity, social, environmental, cultural opportunities).

Figure 4 – Value mapping



There are a number of available calculation methods available to determine project benefits, a sample of which outlined in Table 3. Project sponsors are free to determine how best to calculate a project’s benefits, and Column 3 (Further commentary) provides some detail on the merits and issues presented by each method.

Table 3 – Example calculation methods

Calculation method	Methodology detail	Further commentary	Reliability
Literature search / desktop research	Identify outcomes of previous studies to ascertain similarities to the current project	<ul style="list-style-type: none"> Low robustness as it will be difficult to emulate all infrastructure delivery elements model directly No direct understanding of specific change in value per area Variability of value uplift will be difficult to validate 	Low
Comparable analyses / repeat sales analysis	Initial analysis of appropriate previous transport models/ property valuations	<ul style="list-style-type: none"> Difficult to broadly apply the learnings from previous models to current models as value is area specific Variability of value uplift will be difficult to validate 	Low – medium
Simple surveys/ traffic counts (transport project)	Department / agency undertakes its own surveys	<ul style="list-style-type: none"> Localised and small-scale surveys will not be able to adequately calculate the partial value uplift Surveys can be extremely costly and time consuming to conduct. It would be better to source from current transport models or from available property models detailing the partial value uplift to beneficiaries by benefit 	Low – medium
Hedonic regression	Regression models based on stated preference from price	<ul style="list-style-type: none"> Provides a reasonable level of specificity. However, the broad number of variables required mean there is a great deal of data required and the cost can be highly prohibitive 	Medium
Choice models	Allows multiple consumer choices of revealed and stated preference with price values	<ul style="list-style-type: none"> Provides the highest level of specificity for partial values Undertaking choice models can be expensive. Proprietary models exist which can be used to generate partial values which can be a cost-effective option 	High

Where it is not possible to undertake a quantitative analysis of a VCC mechanism, project sponsors should provide a qualitative analysis.

Project sponsors should not double-count existing taxes (such as stamp duty or land tax) which are a limited form of automatic value capture.

Calculating the cost of VCC mechanisms

The calculated cost of each VCC mechanism should be derived as per the guidance provided in DTF's *Preparing Project Budgets for Business Cases* technical guide.

Step 2 – Develop, review and approval of VCC documentation

The Detailed Plan should capture all of the analysis conducted for the project, and should include the proposed VCC mechanisms, and for each VCC mechanism:

- an explanation of how each VCC mechanism leverages the final core project scope;
- the cost to deliver;
- the benefits and beneficiaries;
- where and over what period of time the benefits or dis-benefits will occur;
- the risks and issues, and the proposed mitigation strategies; and
- a plan for implementation, which includes a timeframe to implementation.

Approval of the Detailed Plan

The Detailed Plan should be considered, and if appropriate, approved, by the project sponsor.

Stage 3. Procure



VCC mechanisms that have been endorsed should be considered and included in the procurement of the core project.

Implementation

VCC mechanisms identified in Stages 1–3 should be incorporated into the project scope and should be procured according to relevant Victorian Government procurement policies.

Procurement documentation, such as Expressions of Interest (EOI) and Request for Tender (RFT) documents should include the scope and requirements associated with endorsed VCC mechanisms.

Through the procurement process, you may wish to allow respondents to identify additional VCC mechanisms. These mechanisms may either align with the existing VCC benefits or go beyond.

By inviting respondents to identify their own VCC mechanisms, it may be difficult to evaluate the relative merits of different proposals

The project sponsor should require that respondents quantify the benefits and costs associated with any proposed VCC mechanisms.

A clear evaluation plan is required to create a framework for evaluating bids with different VCC mechanisms.

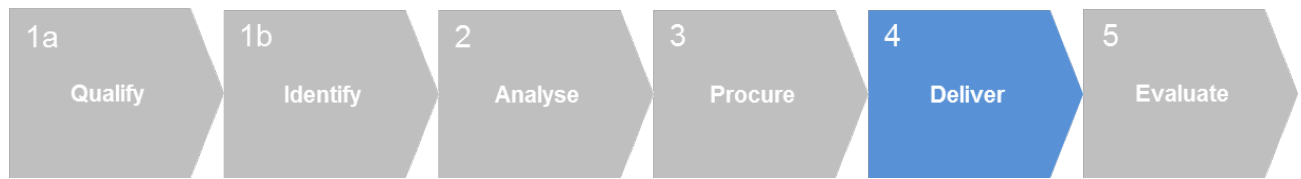
Not all VCC mechanisms will require procurement

Where VCC mechanisms are still to be delivered, please refer to Stage 5 (*Delivery*) for more information.

Documents

Approved VCC mechanisms should be incorporated into procurement documentation (as required).

Stage 4. Deliver



The delivery agency and project sponsor are responsible for delivery of the project, including the Detailed Plan and any VCC mechanisms identified through procurement.

Implementation

Endorsed VCC mechanisms should be incorporated into the core project delivery plans, and an appropriate party should be made responsible to ensure that the intended benefits are realised.

Coordination across government

Where the project sponsor is not responsible for delivering a VCC mechanism, ensure that appropriate governance arrangements are in place. The project sponsor and delivery agency will be responsible for driving coordination by all parties to deliver the VCC mechanisms.

VCC delivery and benefit realisation

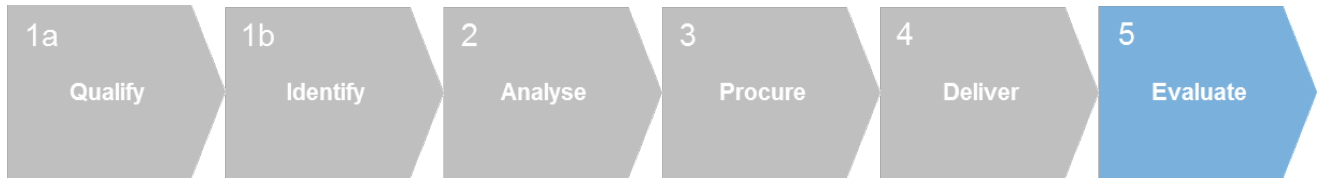
The delivery of VCC mechanisms should be included in project status reports alongside the core project scope, and monitored by the project sponsor.

VCC mechanisms should be treated the same as core scope through any existing reporting and assurance processes.

Documents

Progress in implementing VCC mechanisms should be included in existing reporting regimes.

Stage 5. Evaluate



Upon completion of the project, the project sponsor should evaluate the effectiveness of the VCC mechanisms which have been delivered in consultation with the relevant delivery agency and other key stakeholders.

Implementation

For capital investment projects, Gateway Review 6 is the relevant process to incorporate a review into whether the project has delivered its VCC benefits.

VCC benefits should be assessed in the same way core project benefits would be treated in the Gateway 6 review.

Documents

An evaluation addressing the delivery of VCC benefits can be in the format of a Gateway 6 review.

Appendix A - Example Value Creation and Capture Mechanisms

The below example value creation and capture mechanisms have been reproduced (and in some cases updated) from the Framework.

Figure 7 - Description of value creation mechanisms

Value Creation Mechanism	Description	Examples	Implementation
1. Strategic Land Use Assessment	A Strategic Land Use Assessment (SLUA) provides advice on the optimal use for a state-owned site and informs policy and project objectives.	The Victorian Government has completed SLUAs of the Cheetham Saltworks site and broader Moolap precinct in Geelong to inform an urban renewal strategy.	Land Use Victoria (LUV) was established by the Victorian Government with responsibility for land information and providing advice on the best future use of Government land. LUV may be engaged directly to complete a SLUA.
2. Land creation	New land can be created for development or community uses (e.g. decking over rail tracks or new adjoining space).	<p>Level crossing removals have used decking to create new land. At the Frankston Level Crossing Removal, the project delivered decking above the rail trench enabling a parking station and new substation to be constructed on new land.</p> <p>The Southern Cross Station redevelopment in 2002 delivered decking above the rail line to Flinders St Station. This decking enabled the construction of a new building for The Age and enabled the continuation of Collins Street to the Docklands precinct.</p>	Planning approvals required to change the use of land (e.g. commercial use above previous rail uses), overarching project-wide planning scheme amendments

Value Creation Mechanism	Description	Examples	Implementation
3. Land consolidation acquisition and reservation	Consolidating land parcels, and acquiring and reserving strategic parcels, to enable development and infrastructure opportunities.	<p>The Revitalising Central Dandenong project involved consolidating properties in seven hectares of central Dandenong.</p> <p>Land acquisition was required to complete the Darebin Yarra Trail cycling link.</p> <p>The Victorian Government has reserved the land corridor for the Outer Metropolitan Ring Road.</p>	<p>Planning scheme amendments can consolidate or reserve land.</p> <p>Compulsory land acquisition powers may be conferred under various Acts, including:</p> <p><i>Planning and Environment Act 1987.</i></p> <p><i>Major Transport Projects Facilitation Act 2009.</i></p> <p><i>Project Development and Construction Management Act 1994.</i></p>
4. Structure planning	Undertaking structure planning determines the most appropriate planning for a site in line with the site vision. Structure planning increases 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 and London’s Canary Wharf (including a new Elizabeth Line / Crossrail tube station) facilitated major urban renewals.	Structure plans can be undertaken by any statutory planning authority and are inserted into planning schemes through planning scheme amendments.
5. Planning scheme amendments	<p>Planning scheme amendments enable changes to how land is used. This can be completed through changing zones or applying overlays.</p>	<p>The Metro Tunnel Project is delivering a new train station in the Arden precinct. Parcels of land surrounding this new proposed station are being rezoned to deliver residential and commercial zones, revitalising the area.</p>	Rezoning and overlays can be achieved through planning scheme amendments.

Value Creation Mechanism	Description	Examples	Implementation
6. Planning conditions	Conditions can be applied under planning schemes to achieve policy outcomes such as affordable housing, open space/community facilities, and energy efficiency.	<p>The Victorian Government has recently introduced new planning controls which allow for a floor area uplift in return for providing public benefits such as affordable housing, parks and open public space.</p> <p>Recently the Victorian Government announced planning controls along the Kings Way Southbank thoroughfare. Developers of new buildings will be required to devote part of their first four floors to culture, assisting to revitalise the area as the Arts Precinct.</p>	These conditions would be implemented through planning controls such as overlay, precinct structure plan or incorporated document.
7. Third party incentives	Third party incentives can be financial, planning or other incentives for third parties to deliver economic, social or environmental outcomes.	The Victorian Government has set a Green Star rating for the Fishermans Bend Precinct by providing precinct wide environmental benefits through energy and open space. Developers are incentivised to implement further green star improvements within property developments at Fishermans Bend by leveraging the already existing green star precinct wide solutions. Effectively enabling developers to deliver environmental outcomes at a lower cost than a stand-alone building.	Incentives would likely be contractual (e.g. through a grants scheme) or through zoning controls, rather than legislative.

Value Creation Mechanism	Description	Examples	Implementation
8. Procurement conditions for urban development	Conditions can be placed on public land transactions (e.g. sales and leases) and/or development contracts during procurement 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.	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.
9. Procurement conditions for infrastructure	Conditions can be included in the procurement of 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 the purchase of High Capacity Metro Trains has incorporated specific local content and training requirements, above and beyond the Governments mandated procurement policies, the Victorian Industry Participation Policy and the Major Projects Skills Guarantee.	Specify desired policy outcomes to be delivered within procurement documentation (Expression Of Interest / Request For Proposal) and contracts . Tenderers could be encouraged to suggest new ways to meet broader social procurement objectives.

Value Creation Mechanism	Description	Examples	Implementation
10. Innovation through procurement	Throughout the procurement process, private sector respondents can introduce innovation to increase economic, social and environmental outcomes of projects.	The Royal Children’s Hospital Public Private Partnership (PPP) delivered an aquarium and a meerkat display introducing social benefits in addition to the core project objectives.	Project sponsors should include value creation and capture opportunities within procurement documentation (e.g. Expression Of Interest / Request For Proposal). Furthermore, when project sponsors select a procurement model for a project, they should consider procurement models which include the option for innovative outcomes for the State, such as Early Contractor Involvement, Alliance, Engineering, Procurement and Construction Management and PPP models.
11. Private finance and ownership	Using private finance and ownership models or contracting private sector managers to finance construction and improve efficiency and reduce whole of asset life costs.	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 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.
12. Victorian Design Review Panel	The Office of the Victorian Government Architect’s Victorian Design Review Panel (VDRP) aims to improve the quality of design in the built environment by providing independent, expert advice on significant projects.	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 can 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). Further information can be found on the Victorian Government Architect’s website https://www.ovga.vic.gov.au/victorian-design-review-panel.html .

Figure 8 - Description of value capture mechanisms

Value Capture Mechanism	Description	Examples	Implementation
1. Property development rights	<p>Property development rights offset the cost of delivering infrastructure.</p> <p>Development rights may include:</p> <ul style="list-style-type: none"> • 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). 	<p>In building the Melbourne Underground Rail Loop (City Loop), development rights were previously sold in exchange for development of Melbourne Central.</p> <p>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.</p>	<p>Public land or air rights above this land could be sold to private developers with negotiated agreements to deliver infrastructure or other policy outcomes , or can be provided in return for work-in-kind.</p> <p>The documentation governing the provision of development rights to the private sector can include terms which require the private sector to deliver certain infrastructure or other policy outcomes, to maximise the public benefit.</p>

Value Capture Mechanism	Description	Examples	Implementation
2. Commercial opportunities	Commercial opportunities can be incorporated into infrastructure projects generating government revenue or increasing economic activity.	In redeveloping Southern Cross station, the project included two components: the redevelopment of the transport interchange (for which the government entered into a long-term service contract), as well as a commercial redevelopment, which was funded by the private sector.	<p>The provision of commercial opportunities to the private sector should be developed through the project procurement.</p> <p>Commercial opportunities should be included in the respective contractual arrangements of the project and the preceding asset.</p>
3. Infrastructure levies on development	Infrastructure levies can be imposed through planning schemes and enables the government to collect levies from private developers, businesses or other impacted parties for the delivery on infrastructure. These can be subject to a value threshold, and may allow cash and/or in-kind contributions.	The London Crossrail has been partly funded by the Mayoral Community Infrastructure Levy, which is levied on developers for additional floorspace they create across London (other than where the development relates to medical or educational facilities). An additional Crossrail levy has also been placed on developments in certain locations.	<p>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). Levies usually apply for new developments rather than on existing properties.</p> <p>Development Victoria can declare projects for which contributions are payable.</p>
4. Road tolls	Applying user charges on specific new roads.	Currently in place on EastLink and CityLink, and will be used for the Western Distributor.	<p>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).</p> <p>Legislation or regulation is often required to regulate the toll amounts.</p>

Value Capture Mechanism	Description	Examples	Implementation
5. Private asset manager user charges uplift	Private asset manager user charges recover a portion of the revenue uplift from state infrastructure investment where state infrastructure investment generates additional revenue as a result of increased asset usage.	Melbourne's metropolitan train and tram contracts include mechanisms whereby the state can recover a portion of the uplift in user charges which is automatically created by an increase in patronage of the asset (e.g. train patronage), which in turn generates an automatic uplift in user charges (e.g. myki fares).	Mechanisms are agreed contractually between the state and the private infrastructure manager.
6. Private asset manager efficiency dividend	Private asset manager efficiency dividends recover a portion of revenue uplift from private infrastructure managers where state infrastructure investment generates savings and efficiencies from improved infrastructure efficiency..	Melbourne's metropolitan train and tram contracts include this mechanism (e.g. through greater scale, more efficient service delivery across the network).	Mechanisms are agreed contractually between the state and the private infrastructure manager.
7. Voluntary contributions by beneficiary businesses	Voluntary contributions (financial or in-kind) can be provided by key private beneficiaries for the delivery of infrastructure in which they will be key beneficiaries.	London Crossrail was partly funded by capital contributions from Heathrow Airport, Canary Wharf Group and Berkeley Homes, each of which will benefit from the Crossrail project through greater connectivity.	The state would negotiate with key private beneficiaries, and for voluntary contributions to be paid towards the cost of infrastructure .