

VICTORIA

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Auditor-General  
of Victoria

**SPECIAL REPORT No. 45**

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**BUILDING BETTER CITIES**  
**A joint government approach**  
**to urban development**

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*Ordered by the Legislative Assembly to be printed*

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VICTORIAN GOVERNMENT PRINTER

ISSN 0818 5565  
ISBN 0 7306 9286 8

November 1996

The President  
The Speaker

Parliament House  
Melbourne Vic. 3002

Sir

Under the provisions of section 16 of the *Audit Act* 1994, I transmit the Auditor-General's Special Report No. 45, "*Building better cities: A joint government approach to urban development*".

Yours faithfully

C.A. BARAGWANATH  
*Auditor-General*

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# Foreword

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The Building Better Cities Program, launched in 1991 and with joint involvement of the Australian and State Governments, has been a major activity across Australia aimed at improving urban planning and the quality of urban life.

Victoria's participation in the Program has been substantial with 19 projects approved for the State and several public sector agencies having responsibility for project management.

While the Australian Government has recently determined to progressively close the Program, many of the contributions made to the State's urban development infrastructure have long-term implications and will therefore be relevant to future urban development strategies of the State.

This Report examines the implementation of the Program within Victoria which, to date, has absorbed a total of over \$330 million in Australian and State Government funding. I hope that readers of the Report perceive it as providing useful information on the operation of a major Commonwealth-State development program in Victoria.

C.A. BARAGWANATH  
*Auditor-General*

# **Part 1**

## **Executive Summary**

# Part 1.1

## Overall audit conclusion

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**1.1.1** Involving a total allocation of \$349 million in Australian and State Government funds from 1992 in Victoria, the Building Better Cities Program represents a significant joint government approach aimed at enhancing urban development within the State. For Victoria, 19 projects across 4 designated geographic areas were approved under the Program, and 15 had been completed by 30 June 1996.

**1.1.2** A distinctive characteristic of the Program highlighted in this Report was the broadness in both structure and coverage of the Program's high level objectives and outcomes and those specifically formulated for the State's 4 area strategies. The breadth of coverage was such that any potential project which exhibited some aspect of the Program's urban development principles could have been suitable for inclusion within its ambit. This position essentially precluded definitive evaluations of the Program's effectiveness in achieving the expected qualitative results earmarked for urban development in the particular areas.

**1.1.3** The difficulty associated with measuring the Program's effectiveness was accentuated by the fact that very few performance measures established for projects were suitable to monitor the achievement of outcomes. Most measures were mainly of an output nature and focused on completion of specific actions during the development of individual projects. It is recognised that suitable qualitative measures are most difficult to compile and many organisations experience great problems in developing useful effectiveness measures on qualitative outcomes. Nevertheless, drawing on the experiences with the Program, there is definite scope to enhance performance measurement arrangements for any future joint Commonwealth-State programs of a similar nature. The establishment of program frameworks which facilitate systematic measurement of performance against planned outcomes would be consistent with the increasing emphasis placed on outcome measurement by governments at both national and State levels.

**1.1.4** Notwithstanding the difficulties associated with the measurement of outcomes, there have been significant value adding contributions from projects under the Program to Victoria's urban development infrastructure and, particularly, in the case of projects examined by audit, in relation to redevelopment of public housing and improvements to public transport. Also, the completion of most projects within established time targets indicated a high level of efficiency in the implementation of the Program in Victoria.



**1.1.5** A secondary purpose of the Program was to implement innovative planning and development techniques in projects as a means of demonstrating their potential for use in future development activities. In this regard, audit is pleased to be able to give visibility in this Report to the progressive approaches adopted by some of the agencies responsible for project management. These approaches have definite potential for wider application across the public sector.

**1.1.6** Finally, with the recent decision by the Australian Government to progressively cease the Program and because several projects form part of wider ranging State Government development policies, it will be important for the State to build on its accomplishments to date and maintain its urban development momentum. Such action is necessary if the principles underpinning the Program's basic rationale, the enhancement of urban planning and the quality of urban life, are to be fully implemented within Victoria. An encouraging development from this viewpoint was the Government's recent launching of a major report titled "The Urban Village Project" which proposes a redevelopment of existing suburban centres "... to explore ways to promote economic opportunities and environmental sustainability in Melbourne's urban areas". This report exhibits a number of the Program's development themes.

**□ RESPONSE** provided by Secretary, Department of Infrastructure

*The Building Better Cities (BBC) Program was an initiative of the Commonwealth Government. The State Government's participation in terms of area strategy project funding, objectives, project milestones, outcomes and outcome measures was subject to formal Commonwealth-State agreement.*

*The benefits of the BBC Program are both immediate and specific in terms of the individual projects and long-term and systemic in respect of the broader regional and State benefits of projects. These broader regional outcomes are most apparent at present in the benefits of institutional reform and consequent land release for innovative urban development along the Bundoora tram line under the Plenty regional strategy.*

*Specified project milestones were instrumental in focusing attention on timely completion of works. The Area Outcomes and Outcome Measures addressed longer-term regional benefits from the funded projects. The annual evaluation of progress was carried out satisfactorily within requirements set each year by the Commonwealth.*

*Living Suburbs - A Policy for Metropolitan Melbourne into the 21st Century provides the State Government's strategy for Melbourne's future. Direction 5 - "Create a more functional city by better managing Melbourne's infrastructure and urban development" demonstrates commitment to a planning framework which further develops BBC concepts (by addressing the efficient use of land and infrastructure and housing choice, redevelopment in areas with underused infrastructure capacity, meeting demand for services in growth areas, improved energy and water efficiency through effective design of urban areas, bring the provision of urban services into line with world's best practice, integrating land development with transport systems, particularly at major transport nodes and activity clusters, ensuring that Melbourne's health services remain among the best in the world).*



# Part 1.2

## Summary of major audit findings

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### Area strategies - Central features of the Program

Page 25

- The concept of area strategies was central to the Building Better Cities Program's planning and implementation within the States. The concept was the catalyst for putting into place an arrangement designed to complement an overall aim of the Program which was to provide impetus for a co-ordinated approach to all urban development within distinct geographic areas.  
*Paras 4.7 to 4.13*
- Where it is within the power of the State Government, objectives in future Commonwealth-State agreements related to development projects should be specifically framed to facilitate subsequent measurement of performance against intended outcomes.  
*Paras 4.14 to 4.22*
- The placing of a greater emphasis within Victoria on a co-ordinating link between projects would have further enhanced urban development within the distinctive areas identified under the Program.  
*Paras 4.24 to 4.28*
- Two transport-related projects selected for funding under the Program, namely, the Cranbourne rail line and the City Circle Tram Loop, had not been accorded high priority by the Public Transport Corporation.  
*Paras 4.34 to 4.42*
- There was no evidence to support the feasibility, from a State perspective, of proceeding with the City Circle Tram Loop as a project under the Program.  
*Para. 4.40*
- The inclusion of many broadly-expressed statements of expected qualitative results for particular aspects of urban development accentuated the difficulty of measuring the Program's effectiveness.  
*Paras 4.43 to 4.47*

**Area strategies - Central features of the Program - continued**

- The performance measures intended to gauge outcomes were, in fact, generally of an output nature focusing mainly on completion of specific actions for the monitoring of progress of individual development projects.  
*Paras 4.48 to 4.50*
- In any future joint government arrangements of a nature similar to the Program, more specific guidance on areas suitable for innovative practices or initiatives should be developed and dissemination of relevant information between agencies on experiences with leading edge techniques should progressively occur.  
*Paras 4.51 to 4.56*
- There was scope to improve accountability mechanisms for future joint Commonwealth-State programs through the formulation of reporting standards which address, in a structured manner, performance against both outputs and outcomes.  
*Paras 4.57 to 4.61*

**Achievements under the Program**

- The widespread completion of projects within established time milestones indicated that a high level of efficiency was achieved in the implementation of the Program in Victoria.  
*Paras 5.8 to 5.12*
- Notwithstanding the limitations associated with assessing the effectiveness of the Program, the implementation of area strategies and related projects has produced an extensive range of new urban development infrastructure and facilities in Victoria.  
*Para. 5.14*
- The long-term impact of the Program and the area strategy approach will be largely reliant on the extent to which the State Government continues a regional-based approach to urban development.  
*Paras 5.15 to 5.16*
- Under the Program, there has been significant progress towards the State Government's aim of providing community care facilities for psychiatric and intellectual disability clients previously located within large institutions in the Plenty Road area. However, little emphasis has been directed, to date, to the important aspect of measuring qualitative outcomes such as the impact of deinstitutionalisation on the quality of life and care of clients.  
*Paras 5.19 to 5.30*
- Significant enhancements to the housing infrastructure have been made at the Hotham public housing estate in North Melbourne and the project can be viewed as a model for any future public housing redevelopments.  
*Paras 5.31 to 5.45*

**Achievements under the Program - continued****Page 47**

- While estimates completed by the Public Transport Corporation indicate patronage levels on the City Circle Tram Loop will be in excess of initial expectations, the absence of more complete information precludes a definitive assessment of the project's effectiveness in achieving the established objective of encouraging economic growth.  
*Paras 5.47 to 5.55*
- Through the provision of enhanced transport facilities and early positive trends in patronage levels, the electrification of the Cranbourne rail line has significantly contributed to the objectives formulated for it within the South East area strategy of increased labour mobility and reduced utilisation of cars.  
*Paras 5.56 to 5.62*
- The long-term nature of the Australian Food Industry Science Centre's research activities preclude a detailed examination of the effectiveness of redevelopment of its facilities at this stage. However, there have been early instances of the Centre, through its expanded facilities, acting as a catalyst in attracting other research agencies and a number of companies in the food industry to the area.  
*Paras 5.63 to 5.71*
- The experiences and the leading edge practices applied to planning and consultative processes by the various public sector agencies involved in the Program should be disseminated throughout the public sector for information and to encourage implementation of best practice processes.  
*Paras 5.72 to 5.82*

**Management structure for the Program****Page 71**

- The experience under the Program of the operation of area strategy management committees should be assessed with a view to determining the most appropriate role for local management committees in any future development programs of a similar nature.  
*Paras 6.5 to 6.7*
- The central Better Cities Unit was an effective component of the overall management structure for the Program which reinforced the value of a central co-ordinating unit for programs involving a range of agencies across the State.  
*Paras 6.8 to 6.9*
- Separate records relating specifically to the expenditure of State funds on individual projects were not maintained by the various government agencies associated with the Program. As such, it was not possible for audit to verify and analyse the expenditure of State funds on individual projects.  
*Paras 6.10 to 6.14*

# **Part 2**

## **Outline of the Building Better Cities Program**

**CREATION AND OBJECTIVES OF THE PROGRAM**

**2.1** The genesis of the Building Better Cities Program was a Special Premier's Conference held in July 1991. At this Conference, the Australian, State and Territory Governments agreed to co-operate in a program which had, as its purpose, the improvement of urban consolidation and the quality of urban life, in order to demonstrate at a practical level:

- better urban planning and service delivery; and
- co-ordination within and between the various levels of government.

**2.2** Following the Conference, the Building Better Cities Program was established by the former Australian Government in its August 1991 budget. The Program was subsequently refocused, as part of the One-Nation Statement, in the 1992 budget to place greater emphasis on components related to the development of infrastructure.

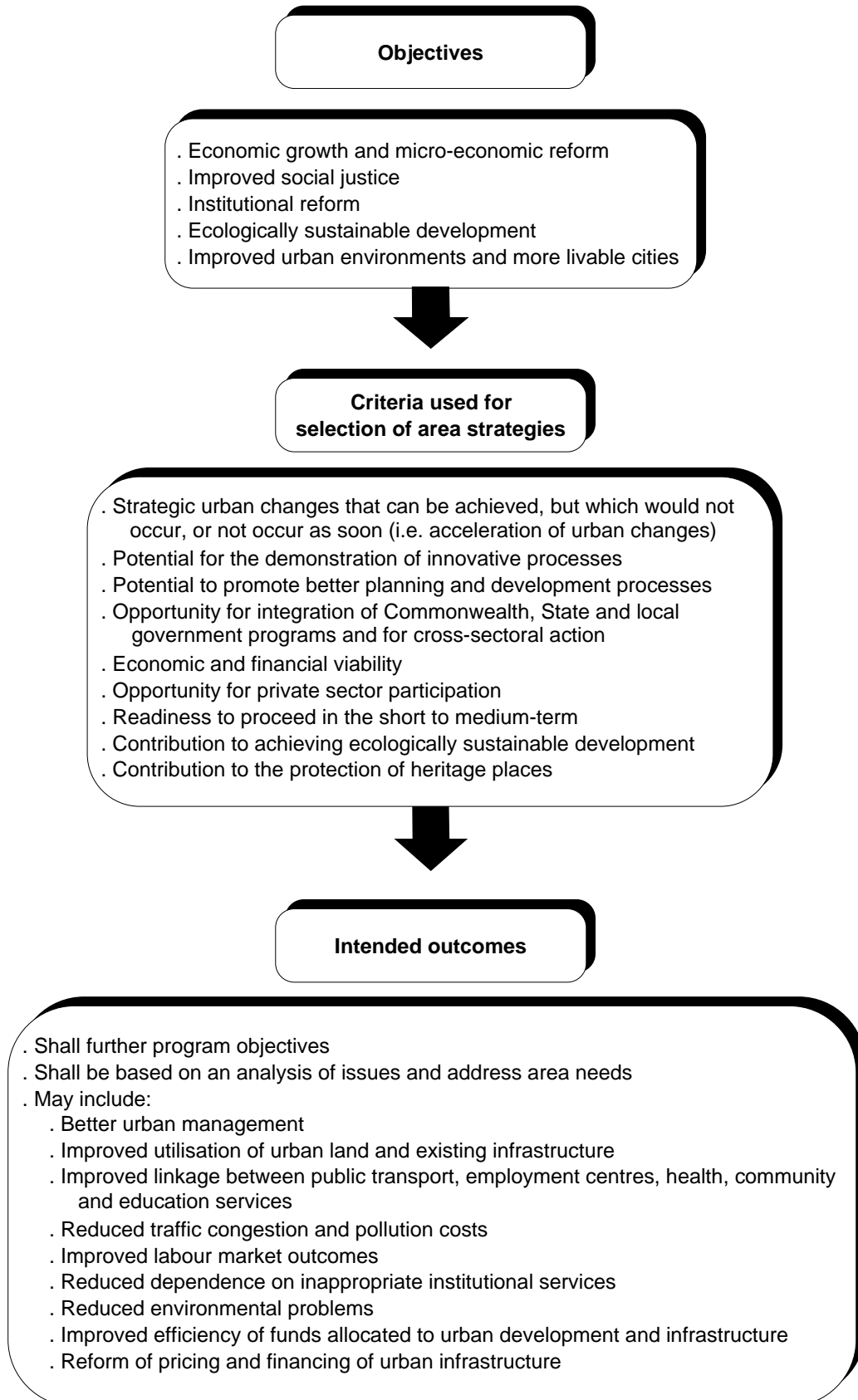
**2.3** The overall purpose of the Program, as outlined in an agreement between the Australian and State Governments, was "... to promote improvements in the efficiency, equity and sustainability of Australian cities and to increase their capacity to meet the following objectives:

- *economic growth and micro-economic reform;*
- *improved social justice;*
- *institutional reform;*
- *ecologically sustainable development; and*
- *improved urban environments and more livable cities".*

**2.4** To meet these objectives, the Australian Government agreed to distribute a total of up to \$816 million between States and Territories over the period December 1991 to June 1996.

**2.5** In order to qualify for funding, participating governments were required to submit proposals to the Australian Government on development strategies for distinct geographic areas within their jurisdiction (*described as area strategies under the Program*). With this arrangement, formal agreements were signed with individual governments which in total identified development strategies for 26 distinct areas throughout Australia. These agreements incorporated the overall Program objectives, criteria used for selection of area strategies put forward by the States for funding under the Program and the broad outcomes of the Program. Chart 2A outlines the Program's high level objectives, selection criteria and broad outcomes which collectively serve to reinforce the wide-ranging nature of the Program's ambit.

**CHART 2A  
OBJECTIVES, SELECTION CRITERIA AND INTENDED OUTCOMES  
ESTABLISHED FOR PROGRAM**



**2.6** In addition to the information presented in Chart 2A, the agreements with individual governments included details of approved area strategies incorporating their respective objectives, performance measures and development projects.

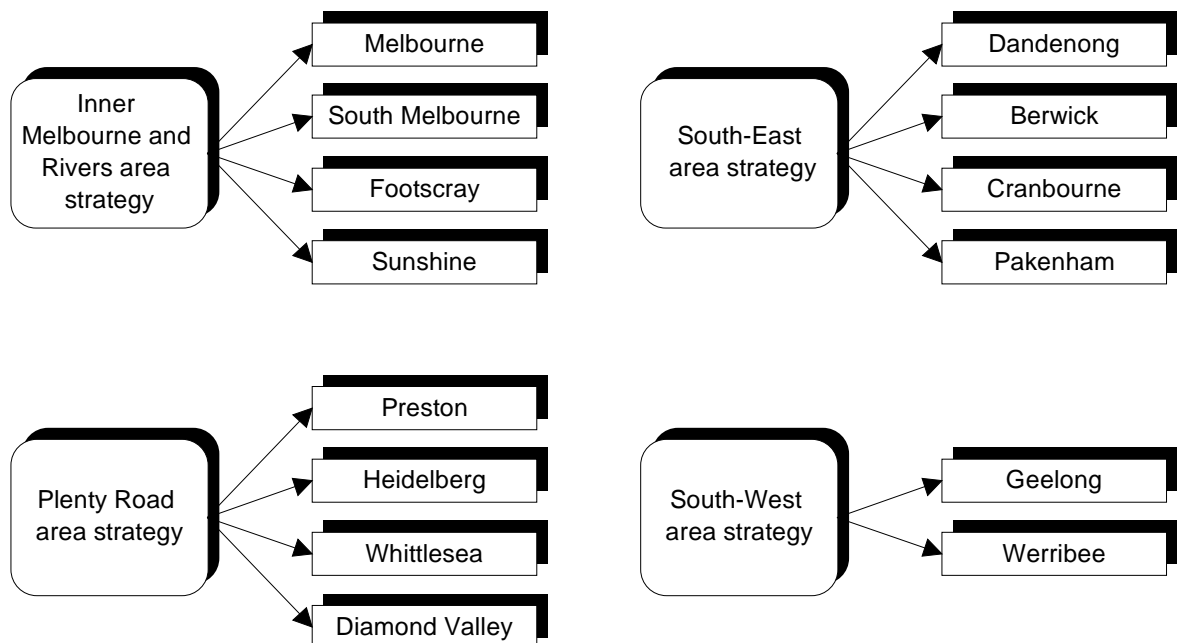
**2.7** To qualify for approval by the Australian Government, individual projects within an area strategy needed to complement each other in achieving the goals included in the relevant strategy and collectively contribute to achievement of the overall objectives of the Program.

**SPECIFIC PROGRAM INFORMATION RELATING TO VICTORIA**

**2.8** In terms of Victoria's involvement in the Program, the relevant agreement between the Australian and State Governments was signed in December 1991 and provided for the Australian Government to contribute up to \$209 million, or around 25 per cent of its overall funding, to area strategies and approved development projects within Victoria over the period to 30 June 1996. The agreement also provided for the Victorian Government to contribute \$140 million for the same period which meant that aggregate funding of \$349 million was allocated to Victoria's participation in the Program.

**2.9** The agreement with the Victorian Government established 4 area strategies within Victoria covering the areas outlined in Chart 2B.

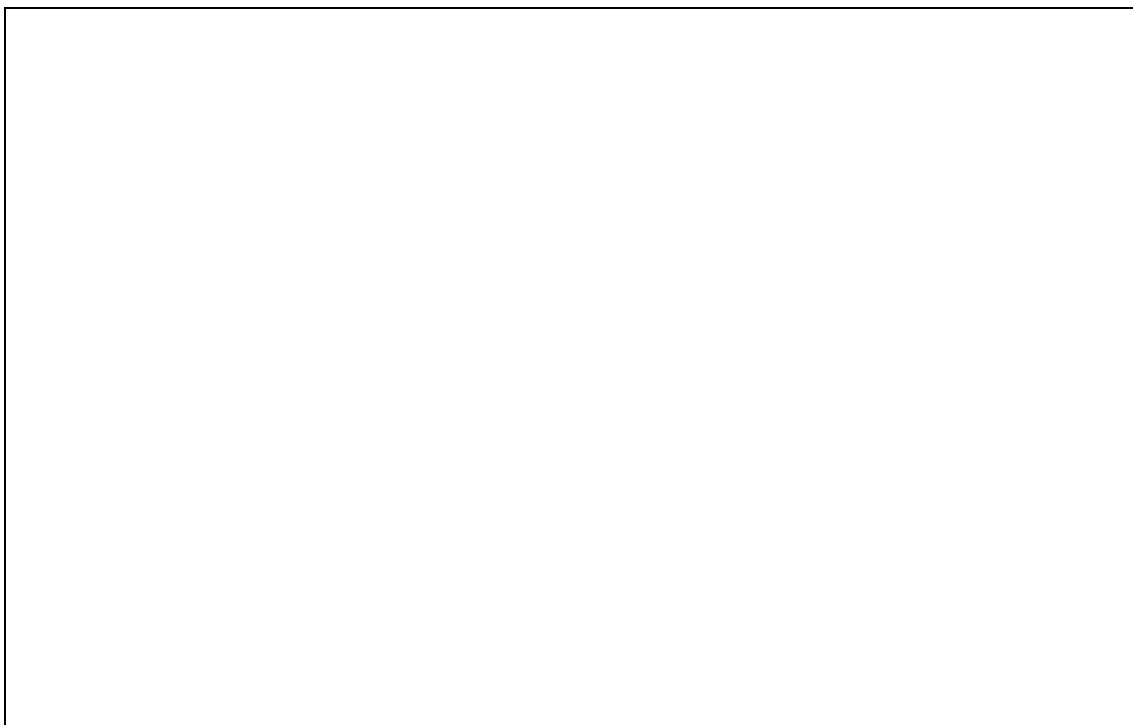
**CHART 2B  
APPROVED VICTORIAN AREA STRATEGIES AND RELATED LOCATIONS**





**2.10** The areas specified within the Inner Melbourne and Rivers and Plenty Road area strategies comprise mainly suburbs of Melbourne while the areas within the South-East and South-West area strategies are predominantly situated on the outskirts of the Melbourne suburban area.

**2.11** An important variation to the Program's 1991 agreement was signed on 31 January 1993 between the Victorian and Australian Governments which finalised the elements of the 4 area strategies in terms of approved projects and of performance criteria covering intended outcomes, outputs and milestones. The agreement provided for incorporation of 2 additional projects, namely, Melbourne's City Circle Tram Loop and the redevelopment of the Geelong woolstores for education facilities, giving a total of 19 approved projects for Victoria under the Program.



*One of the South-West area strategy projects - refurbishment of the Geelong woolstores.*

**2.12** Victorian projects funded by the Australian Government through the Building Better Cities Program are outlined in Table 2C. A brief description of each project is provided in the Appendix to this Report.

**2.13** A specific feature of the funding arrangements agreed between the 2 governments was that allocations of Australian Government funding were made to individual projects while those from the Victorian Government were quantified only at area strategy level. The quantum of State funding for individual projects within area strategies was, under the arrangements, a matter for determination by the State Government.



**TABLE 2C**  
**ALLOCATION OF FUNDING FOR VICTORIAN PROJECTS**  
**UNDER THE PROGRAM**  
(\$million)

<i>Area strategy</i>	<i>Project title</i>	<i>Australian Government funding</i>	<i>State Government funding</i>	<i>Total funding</i>
<b>Inner Melbourne and Rivers</b>	• North Melbourne public housing redevelopment	17.3		
	• Lynch's Bridge housing development: flood mitigation and site works	8.2		
	• Lynch's Bridge stage 2 land release	2.5		
	• City Circle Tram Loop	6.4		
	• South Melbourne release of surplus land for housing development	0.5		
	<b>Total area strategy funding</b>	<b>34.9</b>	<b>47.0</b>	<b>81.9</b>
<b>Plenty Road</b>	• Redevelopment and devolution of institutional services	52.0		
	• Housing development (public and private) at East Preston	16.7		
	• Light rail extension - Bundoora	12.6		
	• Institutional land release for medium density housing	12.0		
	• La Trobe Technology Precinct	4.0		
	<b>Total area strategy funding</b>	<b>97.3</b>	<b>52.3</b>	<b>149.6</b>
<b>South-East</b>	• Public transport improvements: Cranbourne line	27.1		
	• Public transport improvements: Dandenong-Pakenham line	7.7		
	• Land release and development at Lyndhurst	-		
	<b>Total area strategy funding</b>	<b>34.8</b>	<b>34.0</b>	<b>68.8</b>
<b>South-West</b>	• Australian Food Industry Science Centre	18.0		
	• Public transport improvements (heavy rail)	11.0		
	• Housing development (public and private) at Norlane, Geelong	5.3		
	• Geelong woolstores redevelopment: education facilities	4.5		
	• Geelong transport interchange	2.0		
	• Infrastructure works at Werribee Bio-Technology Precinct	1.2		
	<b>Total area strategy funding</b>	<b>42.0</b>	<b>6.4</b>	<b>48.4</b>
<b>Total Program funding</b>		<b>209.0</b>	<b>139.7</b>	<b>348.7</b>

Note: Within the Program agreement, allocations for Victorian Government funding were quantified only for area strategies, i.e. funding was not allocated to specific projects within area strategies.

**2.14** A further feature of the Program's funding allocations was that there was no standard approach to the level of contribution from each government to a project's aggregate cost. For some projects, the Australian Government's contribution represented the major proportion of costs whereas, in other projects which related to ongoing State activities, its contribution under the Program was relatively minor and the bulk of project expenditure was met by the State.

**2.15** Virtually all of the projects approved for Victoria involved a wide range of activities and, in turn, were relevant to several of the Program's overall objectives and to the various specific objectives set under each of the area strategies. In a collective sense, the projects (often even individually) comprised a diverse spread of subjects including the devolution of institutional services for people with psychiatric and intellectual disabilities, redevelopment of surplus government land, improvements to public transport facilities and enhancement of public housing.

**2.16** In addition to the specific projects agreed for funding under the Program, there was a requirement for an emphasis to be directed within each area strategy to certain other issues deemed to be relevant to achievement of the overall objectives of the Program. These issues included adoption of revised and more effective planning and approval processes and development of mechanisms for the implementation of a sustainable affordable housing program.

**2.17** In summary, the framework established for the Program was intended to facilitate effective co-ordination between governments to enhance urban planning and service delivery.

## MANAGEMENT OF VICTORIAN AREA STRATEGIES AND PROJECTS

**2.18** Overall responsibility for the Program within Victoria has been assigned over the years to the Minister holding responsibility for the planning portfolio. The allocation of management responsibility to support the Minister comprised:

- The *Department of Infrastructure* which was administratively responsible and accountable for development and delivery of the Program. (Prior to machinery of government changes operative from April 1996, this responsibility was with the former Department of Planning and Development);
- An *inter-departmental Steering Committee*, comprising representation of the Departments of Premier and Cabinet, Treasury and Finance and the former Planning and Development, which was responsible for overseeing implementation of the Program;
- Four *management committees* established for each area strategy to co-ordinate and monitor progress within the relevant area;



- A *Better Cities Unit* established within the Department of Infrastructure (previously within the former Department of Planning and Development) to provide administrative support for the Program and to co-ordinate progressive reports to the Australian Government; and
- A number of departments and agencies, including the Department of Human Services, the Public Transport Corporation and the Department of Natural Resources and Environment, with responsibility for the management and implementation of individual projects.

**ANNOUNCED CLOSURE OF THE PROGRAM**

**2.19** During 1995, the former Australian Government invited the States and the Northern Territory to submit proposals for consideration as part of a second phase of the Program to commence from 1 July 1996.

**2.20** The current Australian Government announced in August 1996 that implementation of the Program would progressively cease and funding approved under the second phase would not proceed beyond 31 December 1997. In this regard, no funding had been approved for allocation to Victoria under the second phase.

**2.21** Of the \$209 million approved under the initial phase of the Program, the State had received \$198 million at 30 June 1996. The Australian Government has confirmed its commitment to provide the remaining funding of \$11 million to complete projects approved under the first phase.

**2.22** Separate records relating specifically to the expenditure of State funds on individual projects have not been maintained by the various government agencies. As such, it was not possible for audit to verify and analyse aggregate expenditure by the State under the Program.

**2.23** The Better Cities Unit within the Department of Infrastructure estimates that, of the \$140 million committed to the Program by the State, \$134 million had been expended by 30 June 1996. It advised audit that the estimated remaining \$6 million would be expended during 1996-97 as part of the process of completion of approved projects.

# **Part 3**

## **Conduct of the audit**

**AUDIT OBJECTIVES**

**3.1** The overall objective of the audit was to evaluate whether management processes implemented by the State were conducive to achievement of the objectives of the Building Better Cities Program. In particular, the audit was aimed at evaluating whether:

- objectives formulated under the Victorian area strategies were consistent with the overall Program objectives as established by the Australian Government;
- a soundly-based performance measurement framework was developed for assessing and reporting on Program performance;
- proposed outcomes of projects within the Program were achieved;
- the State had complied with the terms and conditions as specified in the Commonwealth-State agreement regarding the provision of Australian Government funding for the Program;
- resources applied to projects within the Program were efficiently and economically utilised; and
- appropriate management controls were established at the State level to monitor the progress of projects funded under the Program.

**3.2** In the pursuit of this objective, audit sought to give recognition to initiatives taken within the relevant State agencies to maximise the quality and impact of Program outcomes.

**AUDIT SCOPE**

**3.3** The audit placed emphasis on the contribution of the State to achievement of the overall objectives of the Program and the management of related strategies by central and individual agencies responsible for project management.

**3.4** The scope of the audit included examination of:

- the aims and objectives of the Program as specified in the agreement between the Australian and Victorian Governments;
- Victorian area strategies and related objectives and projects;
- performance monitoring and measurement processes in place for Building Better Cities projects;
- the outcomes of area strategies and individual projects within these strategies; and
- the management structure adopted for the Program including the roles of:
  - the Better Cities Unit within the Department of Infrastructure in co-ordinating and monitoring implementation of the Program; and
  - various State departments and agencies responsible for project management of Building Better Cities initiatives.



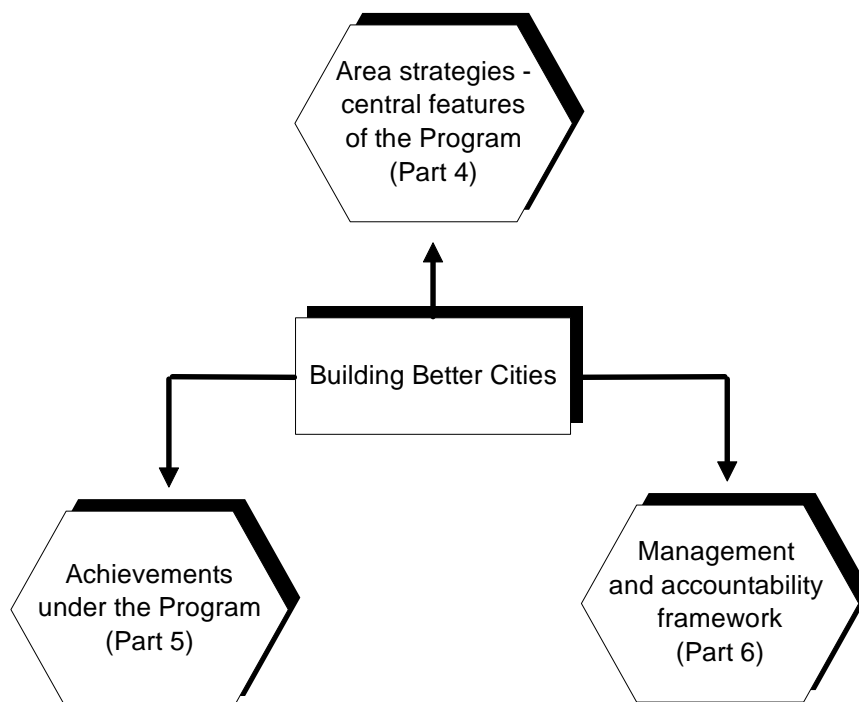
**3.5** To provide an appropriate coverage of the Program, the audit included an evaluation of the management of the following individual projects:

- the redevelopment and devolution of institutional services by the Department of Human Services under the Plenty Road area strategy;
- public transport improvements on the Cranbourne rail line project managed by the Public Transport Corporation as part of the South-East area strategy;
- the construction of the City Circle Tram Loop under the responsibility of the Public Transport Corporation within the Inner Melbourne and Rivers area strategy;
- public housing redevelopment in North Melbourne, an element of the Inner Melbourne and Rivers area strategy and managed by the Housing Division of the Department of Human Services; and
- the expansion of the Australian Food Industry Science Centre at Werribee in the South-West area strategy by the Department of Natural Resources and Environment.

**3.6** In line with the objectives and scope established for the audit, findings and recommendations in the Report are set out under the following framework:

- *Area strategies - central features of the Program*, including objectives, projects and the performance measurement framework;
- *Achievements under the Program*, including an analysis of outcomes; and
- *Management and accountability framework* for the Program.

**CHART 3A  
REPORTING FRAMEWORK FOR PRESENTATION OF AUDIT  
FINDINGS AND RECOMMENDATIONS**





**3.7** The audit was performed in accordance with Australian Auditing Standards applicable to performance audits and included such tests and other procedures considered necessary.

### IMPETUS FOR THE AUDIT

**3.8** During 1995, the Australian National Audit Office determined to undertake a performance audit of the Program from a national perspective. Following liaison with that Office, it was decided that there would be benefit in carrying out, in tandem with the national audit, an examination of the State's management of its participation in the Program.

**3.9** The financial magnitude of the Program's activity in Victoria, involving aggregate allocation of Commonwealth and State funds of almost \$350 million since 1991-92, also reinforced the desirability of a performance audit dealing specifically with the State.

**3.10** In addition, a performance audit of the Program was endorsed by the Parliament's Public Accounts and Estimates Committee following consultation with the Committee by the Auditor-General on annual performance audit planning, as required by the *Audit Act* 1994.

### ASSISTANCE PROVIDED TO AUDIT

**3.11** The management and staff of the various government agencies involved in the implementation of the Building Better Cities Program, including the Better Cities Unit and other divisions of the Department of Infrastructure, the Department of Human Services, the Department of Natural Resources and Environment and the Public Transport Corporation, provided significant support and assistance to audit. Audit wishes to acknowledge the contribution that this assistance made to the preparation of material for this Report.

# **Part 4**

## **Area strategies - central features of the Program**



## OVERVIEW

**4.1** As the title to this Part suggests, the focus on formulation of urban development strategies in distinct geographic areas, which were designated as area strategies, was a central characteristic of the Program. This situation, and the fact that the Program's high level objectives, project selection criteria and intended outcomes were so wide ranging in coverage, meant that the management framework agreed by the State with the Australian Government for area strategies needed to be clearly structured in order to facilitate meaningful assessments over time of the Program's effectiveness.

**4.2** The audit identified that, similar to the nature of the Program's high level strategic elements, objectives and intended outcomes formulated for Victoria's 4 area strategies were very broadly expressed, a setting which essentially precluded definitive evaluations of the Program's effectiveness in achieving the expected qualitative results earmarked for urban development in the particular areas.

**4.3** The difficulty associated with measuring the Program's effectiveness was accentuated by the fact that performance measures developed to assess the progress of projects against intended outcomes were mainly of an output nature and focused on completion of specific actions during the development of individual projects. Very few measures established for projects were suitable to monitor achievement of outcomes.

**4.4** It was also evident that the breadth of coverage of objectives and outcomes for the area strategies was such that any potential project which exhibited some broad aspect of the Program's urban development principles could have been suitable for inclusion.

**4.5** The generic feature of the Program's structure extended to the accountability mechanisms governing annual reporting by the State to the Australian Government. In this regard, the periodic reports prepared by the State Government were largely narrative style in format and incorporated very limited performance information on qualitative matters related to intended outcomes.

**4.6** Other Parts of this Report mention the significant value adding contributions to the State made by the Program from a broad urban development perspective. While recognising these contributions, audit considers that, drawing on the experiences with the Program, there is definite scope to enhance the management arrangements for any future joint Commonwealth-State programs of a similar nature. Of particular significance is the need to have in place a structure which facilitates systematic measurement of performance against planned outcomes, an approach consistent with the increasing emphasis placed on outcome measurement by governments at both national and State levels.

**AREA STRATEGY CONCEPT**

**4.7** The introductory narrative in Part 2 of this Report showed that the format of the Building Better Cities agreement entered into between the Australian Government and governments participating in the Program incorporated a diverse range of high level objectives, selection criteria and intended outcomes. This format provided the overall framework for the preparation of urban development strategies which were designated as area strategies under the Program.

**4.8** The concept of area strategies was central to the Program's planning and implementation within the States. The concept was the catalyst for putting into place an arrangement designed to complement an overall aim of the Program which was to provide impetus for a co-ordinated approach to all urban development within distinct geographic areas.

**4.9** Participating States were required to submit proposed area strategies for approval by the Australian Government. To qualify for approval, each area strategy had to be consistent with the objectives and criteria of the Program and incorporate:

- a descriptive report of the development needs of the relevant area;
- objectives and proposed outcomes;
- individual projects and implementation time frames; and
- the means for evaluating outcomes.

**4.10** As also mentioned in Part 2 of this Report, the following 4 area strategies were established in Victoria under the Program:

- Inner Melbourne and Rivers;
- Plenty Road;
- South-East; and
- South-West.

**4.11** These area strategies were concentrated on:

- Melbourne and 6 of its suburbs, namely, South Melbourne, Footscray, Sunshine, Preston, Heidelberg and Diamond Valley; and
- the outer cities of Berwick, Cranbourne, Dandenong, Geelong, Pakenham, Werribee and Whittlesea, all situated relatively close to Melbourne.



**4.12** Given the significance attached to the area strategy concept, audit considered that it was important that the following characteristics were reflected in the framework established for area strategies to enable a judgement to be formed on the Program's overall effectiveness and the soundness of its performance monitoring and measurement arrangements:

- the formulation of meaningful objectives which are clearly linked to the overall objectives of the Program and facilitate periodic measurement of performance;
- the presence of a specific relationship between each area strategy's objectives and the individual projects implemented to achieve those objectives; and<sup>29</sup>
- the use of a performance measurement framework suitable for progressive evaluation of the impact of projects in meeting the outcomes specified for each area strategy.

**4.13** The remaining paragraphs within this Part of the Report provide a high level assessment of the extent to which Victorian area strategies incorporated these characteristics. Later Parts contain more detailed comments on matters relating to the State's management of area strategies, including an evaluation of achievements within the State under the Program.

□ *RESPONSE provided by Secretary, Department of Infrastructure*

*Projects were selected in an area strategy on the basis of broad strategic objectives, however, they were considered merely as catalysts in the achievement of these objectives. The specific relationship between individual projects and these area strategy objectives was less important than the synergies and opportunities created over time through the 3 spheres of government working together. Given the ambitious nature of this approach, the specific outputs of area strategies could not be identified or foreseen at the commencement of the Program. They were, and are, being identified through the joint annual evaluation process.*

**THE NEED FOR MEANINGFUL AREA STRATEGY OBJECTIVES**

**4.14** The formulation of objectives for Victoria's area strategies was principally undertaken by the State Government. These objectives were subsequently submitted for agreement with the Australian Government.

**4.15** Table 4A presents all of the objectives agreed by the 2 governments for the State's 4 area strategies and illustrates the breadth of coverage of such objectives.

**TABLE 4A**  
**OBJECTIVES AGREED FOR VICTORIA'S 4 AREA STRATEGIES**

**Inner Melbourne and Rivers area strategy**

- An integrated approach to the revitalisation of Melbourne.
- Greater use of underutilised Commonwealth and State land for innovative exercises which promote affordable housing and demonstrate the potential of urban consolidation.
- Higher rates of population densities and improved potential labour market outcomes.
- Establishment of models of redevelopment of public housing and management models for greater housing choice and affordability.
- Reduced cost per dwelling of urban infrastructure.
- Encouragement of economic growth through strategic transport and economic development initiatives.
- Rehabilitation of degraded environments on Commonwealth and State land.
- Establishment of an area based approach to co-ordinate the provision of infrastructure and accelerated development of urban consolidation.

**Plenty Road area strategy**

- Achieve reforms in institutional services for persons with psychiatric or other disabilities.
- Promote labour mobility and service accessibility by improvements to public transport.
- Improve the utilisation of available social infrastructure.
- Encourage development of employment opportunities close to residential areas.
- Promote urban consolidation with mixed use development and higher density housing in underutilised land in established areas.

**South-East area strategy**

- Enhancing labour market mobility through transport improvements.
- Reduce the level of car utilisation by providing effective public transport alternatives and by encouraging higher density housing development oriented towards public transport.
- Promote the City of Dandenong as the hub of regional economic activity and the region as self-sufficient in employment and service availability.
- Demonstrate inter-government co-operation in land supply and infrastructure provision.
- Improve access to health, education and community services through transport improvements.

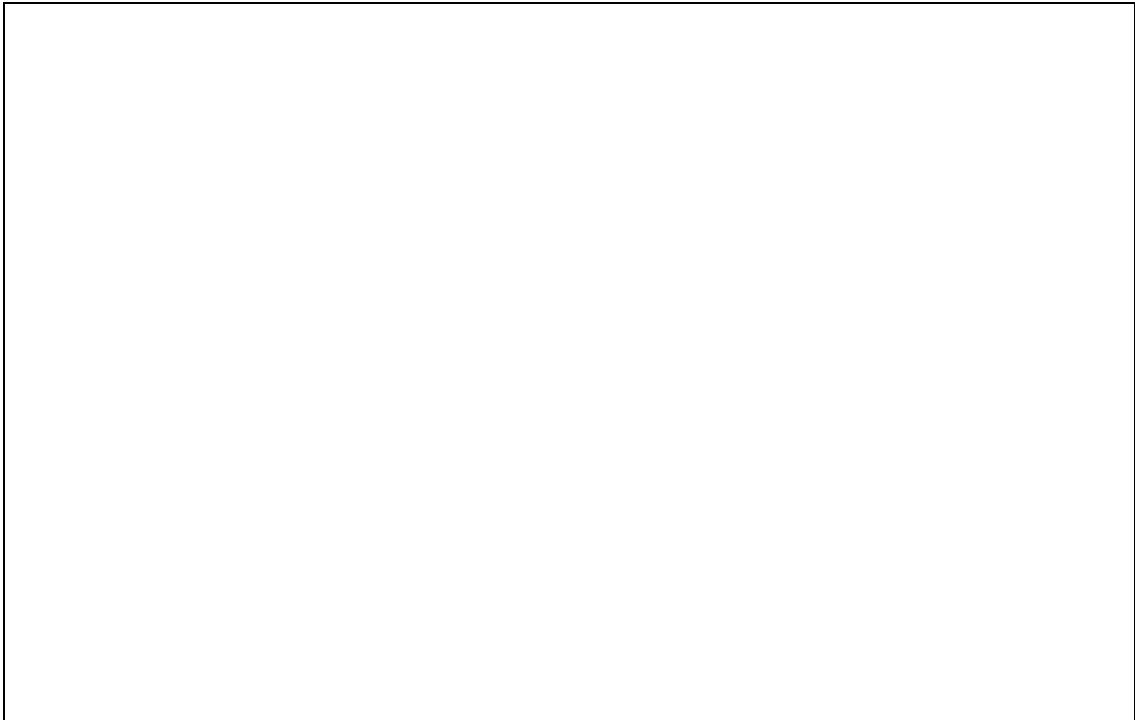
**South-West area strategy**

- Improved labour mobility within Melbourne, Werribee and Geelong
- Economic development, employment, training and educational opportunities in the Geelong and Werribee sectors by advancing development of the Werribee Bio-Technology Precinct as well as strategic facilities in the Geelong region.
- Improved co-ordination and co-operation between levels of government and the private sector in bringing about a revitalisation of central Geelong.
- Higher levels of population density where there is underutilised social infrastructure, good public transport links, and proximity to employment and educational facilities.



**4.16** An analysis by audit of the information presented in Table 4A identified that, while separate objectives were developed for each area strategy, a broad link existed between the 4 different sets of objectives through such common themes as:

- economic development;
- pursuit of labour market outcomes, particularly related to increased labour mobility;
- the development of underutilised land;
- increased population and housing density; and
- improved public transport.



*Extension of the Plenty Road tram line from Settlement Road to McKimmies Road to provide improved public transport in the Plenty Road area strategy.*

**4.17** As the above themes complemented the principles underpinning the Program's basic rationale for enhancing urban planning and the quality of urban life, it was also possible to establish a discernible link between the area strategies' objectives and one or more of the Program's high level objectives, selection criteria and intended outcomes. Some examples of these links are provided in Table 4B.

**TABLE 4B**  
**RELATIONSHIP BETWEEN AREA STRATEGY OBJECTIVES AND THE PROGRAM'S HIGH LEVEL OBJECTIVES, CRITERIA AND INTENDED OUTCOMES**

<i>Area strategy and objective</i>	<i>Related high level program objectives, selection criteria and intended outcomes</i>
<p><b>Inner Melbourne and Rivers</b>                      An integrated approach to the revitalisation of Melbourne.</p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• Improved urban environments and more livable cities.</li> </ul> <p><b>Selection criteria</b></p> <ul style="list-style-type: none"> <li>• Potential to promote better planning and development processes.</li> </ul> <p><b>Intended outcomes</b></p> <ul style="list-style-type: none"> <li>• Better urban management.</li> </ul>
<p><b>Plenty Road</b>                      Achieve reforms in institutional services for persons with psychiatric or other disabilities.</p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• Improved social justice.</li> <li>• Institutional reform.</li> </ul> <p><b>Selection criteria</b></p> <ul style="list-style-type: none"> <li>• Strategic urban changes that can be achieved but which would not occur, or not occur as soon.</li> <li>• Potential to promote better planning and development processes.</li> </ul> <p><b>Intended outcomes</b></p> <ul style="list-style-type: none"> <li>• Reduced dependence on inappropriate institutional services.</li> </ul>
<p><b>South-East</b>                      Improved access to health, education and community services through transport improvements.</p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• Improved social justice.</li> </ul> <p><b>Selection criteria</b></p> <ul style="list-style-type: none"> <li>• Potential for the demonstration of innovative processes.</li> <li>• Opportunity for integration of Commonwealth, State and local government programs and for cross-sectoral action.</li> </ul> <p><b>Intended outcomes</b></p> <ul style="list-style-type: none"> <li>• Better urban management.</li> <li>• Improved linkage between public transport, employment centres, health, community and education services.</li> </ul>
<p><b>South-West</b>                      Improved co-ordination and co-operation between levels of government and the private sector in bringing about a revitalisation of central Geelong.</p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• Improved urban environments and more livable cities.</li> </ul> <p><b>Selection criteria</b></p> <ul style="list-style-type: none"> <li>• Opportunity for integration of Commonwealth, State and local government programs and for cross-sectoral action.</li> <li>• Opportunity for private sector participation.</li> </ul> <p><b>Intended outcomes</b></p> <ul style="list-style-type: none"> <li>• Better urban management.</li> <li>• Improved efficiency of funds allocated to urban development and infrastructure.</li> </ul>

**4.18** The existence of relationships between specific objectives in area strategies and the Program's high level framework reflects what could reasonably be expected given the Program's broad scope and the fact that some overview was undertaken by the Australian Government as part of the agreement process.



**4.19** It needs to be mentioned at this point that the presence of the above relationships between overall and specific objectives did not automatically mean there was an ideal setting for the periodic measurement of progress towards achievement of the objectives. In fact, the broadness of the 2 levels of objectives was such a distinctive characteristic of the Program's arrangements that assessing whether intended outcomes, which were predominantly qualitative in nature, had been fully achieved poses some difficulty. This aspect is elaborated on by audit in later paragraphs dealing with the performance measurement framework.

**4.20** It is also relevant to mention that 6 of the 19 projects approved for Victoria under the Program were already in course of development by the State and it was therefore feasible that formulation of objectives and intended outcomes for the area strategies could have been influenced by the specific characteristics of these projects. This situation may well have been a contributor to the rather generic nature of the objectives and outcomes.

**4.21** **Where it is within the power of the State Government, objectives in future Commonwealth-State agreements related to development projects should be specifically framed to facilitate subsequent measurement of performance against intended outcomes.**

**4.22** Such an approach would be consistent with the Government's recent focus on output management and the associated importance directed by it towards the achievement of intended outcomes.

**□ RESPONSE** provided by Secretary, Department of Infrastructure

*It is possible to measure project outcomes, however, the Building Better Cities Program had very broad strategic objectives. Outputs and outcomes of specific projects did not necessarily relate to the area strategy objectives, rather to the range of objectives in the area strategy as a whole. The Program objectives are at a higher order than the outputs and outcomes (e.g. improved social justice) and are only measurable in the long-term. The long-term impacts may not yet be evident.*

<p><b>RELATIONSHIP OF PROJECTS TO AREA STRATEGIES</b></p>
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**4.23** The second element of audit's high level assessment of characteristics underpinning the area strategy concept concerned whether a specific relationship existed between each area strategy's objectives and the individual projects implemented to achieve those objectives.

**Nature of relationship within area strategies**

**4.24** The introductory paragraphs of this Report included comment that virtually all of the projects approved for Victoria involved a wide range of activities and, in turn, were relevant to several of the Program's overall objectives. In a collective sense, the projects (often even individually) comprised a diverse spread of subjects relevant to the Program including the devolution of institutional services for people with psychiatric and intellectual disabilities, redevelopment of surplus government land, improvements to public transport facilities and enhancement of public housing.

**4.25** It was therefore possible for audit to generally relate approved projects to one or more of their objectives of the respective area strategy. Table 4C provides examples of the relationship between an area strategy's objectives and approved projects.

**TABLE 4C  
RELATIONSHIP OF PROJECTS TO AREA STRATEGY OBJECTIVES**

<i>Area strategy</i>	<i>Objectives</i>	<i>Related projects</i>
<b>Inner Melbourne and Rivers</b>	<ul style="list-style-type: none"> <li>Establishment of models of redevelopment of public housing and management models for greater housing choice and affordability.</li> </ul>	<ul style="list-style-type: none"> <li>North Melbourne public housing redevelopment</li> <li>Lynch's Bridge housing development</li> <li>South Melbourne release of surplus land for housing development</li> </ul>
<b>Plenty Road</b>	<ul style="list-style-type: none"> <li>Achieve reforms in institutional services for persons with psychiatric or other disabilities.</li> <li>Encourage development of employment opportunities close to residential areas.</li> </ul>	<ul style="list-style-type: none"> <li>Redevelopment and devolution of institutional services</li> <li>La Trobe Technology Precinct</li> </ul>
<b>South-East</b>	<ul style="list-style-type: none"> <li>Enhancing labour market mobility through transport improvements.</li> <li>Improve access to health, education and community services through transport improvements.</li> </ul>	<ul style="list-style-type: none"> <li>Public transport improvements: Cranbourne line</li> <li>Public transport improvements: Dandenong-Pakenham rail line</li> </ul>
<b>South-West</b>	<ul style="list-style-type: none"> <li>Economic development, employment, training and educational opportunities in the Geelong and Werribee sectors by advancing development of the Werribee Bio-Technology Precinct as well as strategic facilities in the Geelong region.</li> </ul>	<ul style="list-style-type: none"> <li>Food Research Institute, Werribee</li> <li>Infrastructure works at Werribee Bio-technology Precinct</li> <li>Geelong woolstore redevelopment: education facilities</li> </ul>

**4.26** The intended outcomes formulated in each area strategy (which are discussed under the next heading of this Part) mirrored the breadth of coverage of the relevant objectives to such an extent that any potential project which embodied some aspect of the broad themes emphasised by the Program would have been suitable for inclusion.

**4.27** In addition, notwithstanding the existence of the relationships shown in Table 4C, the focus of development activity within area strategies tended to be concentrated on individual projects rather than a co-ordinated approach to urban development. For example, a clear link between the various projects was difficult to ascertain in the case of a number of projects within the Inner Melbourne and Rivers area strategy, such as the City Circle Tram Loop within the central business district of Melbourne and the public and private housing developments in the Hotham estate north of Melbourne and Lynch's Bridge in Kensington.



**4.28** Audit, therefore, formed a view that the placing of a greater emphasis within Victoria on the joint co-ordinating role of projects would have further enhanced urban development within the distinctive areas identified under the Program.

□ *RESPONSE provided by Secretary, Department of Infrastructure*

*In other area strategies, for example Plenty, there were very strong and direct linkages between institutional reform, housing development and the role of tertiary educational institutions.*

*Building Better Cities Program projects were only ever intended to be catalysts for more systemic change across an area strategy. Thus, Victoria's response was not based solely on Building Better Cities-funded projects, but also on other State initiatives such as the program of Agenda 21 projects in the Inner Melbourne and Rivers area strategy.*

*Activities by the Better Cities Unit to achieve synergies across the area strategy included: active support for the City of Melbourne Postcode 3000 program; facilitation of affordable housing projects in the "City of Port Phillip"; creation of a central city affordable housing project with the City of Melbourne and various community partners; and promotion of housing choice through the implementation of the Good Design Guide for medium-density housing.*

#### **Other consequences relating to approved projects**

**4.29** The audit also identified the following consequences associated with Victoria's approved projects which, from a broad viewpoint, would not be consistent with achievement of optimum urban development outcomes.

#### *Program funding replacing existing State funding arrangements and therefore not necessarily accelerating development*

**4.30** The criteria used in the Commonwealth-State agreement for the selection of area strategies included the identification of opportunities to bring forward or accelerate strategic urban changes which otherwise would have been addressed in the normal course of pre-existing State Government programs.

**4.31** This particular criterion would not be met if funding provided by the Australian Government under the Program actually replaced existing State funding arrangements and acceleration of development beyond the State's pre-existing planning time frames did not take place.

**4.32** This situation was evident in the case of Australian Government funding of \$52 million provided under the Program for the redevelopment and devolution of institutional services which, in effect, replaced the State Government's pre-existing financial commitments for this particular area of activity. In this regard, the availability of funding under the Program coincided with a 53 per cent reduction in the State's budget allocations for 1991-92, from \$28 million to \$13 million, for capital works dealing with deinstitutionalisation of psychiatric services.

**4.33** As a consequence, the timing of progress associated with the deinstitutionalisation of psychiatric services has not been advanced beyond that planned under the previous State funding arrangements.



□ **RESPONSE** provided by Secretary, Department of Human Services

*The State Government has continually provided capital funding on an annual basis for the redevelopment of psychiatric services. In the 1986-1991 period, a significant increase in funding occurred to enable the closure of the Willsmere psychiatric institution. This old institution site has now been redeveloped into urban housing, an outcome which is similar to the objectives of the Building Better Cities (BBC) Program. The antiquated services that existed at Willsmere were relocated to more suitable services in the community and general hospital sites.*

*Capital funding is not allocated on a program basis but in relation to particular capital projects. In 1992, a review of the psychiatric services program was undertaken and a hold placed on capital projects; this naturally effected the capital allocation to the area. Following this review and the establishment of a clear framework for service development and delivery, the State's allocation of capital for specific mental health projects increased significantly, with new funding to the program of \$28.8 million and \$25 million being approved in 1995-96 and 1996-97, respectively.*

*BBC funding enabled the redevelopment of psychiatric services across the State to proceed faster than if only State funding had been available. In this sense, the BBC funds enabled the deinstitutionalisation process as a whole to proceed at a faster rate within Victoria than otherwise would have been possible.*

*The combination of BBC program funds and State funding allocated to date will allow for the closure of most psychiatric institutions in the State.*

**Projects selected under the Program**

**not high priorities of the agencies responsible for their implementation**

**4.34** The documentation associated with 2 of the 5 projects which were examined in detail by audit identified that those projects had not been accorded high priority by the agency responsible for their implementation. Relevant details are provided in the following paragraphs.

*Public transport improvements: Cranbourne line*

**4.35** The Victorian Government's submission for projects to be approved under the Program included a number of options for the extension of rail services in various parts of Melbourne. A proposal to establish a diesel shuttle service on the Cranbourne rail line, at an estimated cost of \$19.9 million, was included in the submission but accorded a low priority by the State Government. In fact, the Public Transport Corporation had suggested deferral of this development and, based on population forecasts, had assessed other rail line developments, on the Sydenham and Somerton lines located west and north of Melbourne, respectively, as warranting higher priority.

**4.36** Notwithstanding the lower priority given to the Cranbourne rail line development proposal, the project was subsequently approved by the Australian Government for funding under the Program on the basis that it fitted into the South-East area strategy. Audit was advised by the Public Transport Corporation that the Sydenham and Somerton proposals did not qualify for Australian Government funding because they did not fit geographically into the area strategies identified as priority growth areas.



*Merinda Park Railway Station,  
constructed as part of the improvements to the Cranbourne rail line.*

**4.37** The submission by the State Government concerning the development of the Cranbourne line indicated that electrification of the line would only be considered a viable option when the area's population had increased. However, because the project subsequently received formal approval for Program funding, the State sought the agreement of the Australian Government to a variation of the project to allow for immediate electrification of the Cranbourne line rather than use of a diesel shuttle service.

**4.38** The move by the State Government to seek an amendment to the project from development of a diesel service to full electrification of the line also reflected that:

- eventual electrification of the rail line between Cranbourne and Dandenong may occur within 5 years of the development of the diesel shuttle service;
- an electrified service would extend a direct rail link between the south-eastern industrial suburbs and Melbourne and therefore would provide greater incentive for people to use the rail service;
- rolling stock for the electrified service would be made available from existing stocks; and
- there was strong support for the early electrification of the Cranbourne line from the community and local government.



**4.39** This variation to the project was approved by the Australian Government in January 1993 and incorporated an increase in the funding allocation from \$19.9 million to \$27.1 million.

□ *RESPONSE provided by Secretary, Department of Infrastructure*

*The electrification of the Cranbourne line was evaluated in accordance with criteria established by the Australian Government for funding. The project satisfied wider government regional objectives than the Public Transport Corporation (PTC) had in mind in giving its own priority to the Sydenham and Somerton lines.*

*This project, in conjunction with the Dandenong station project (also funded under the Building Better Cities Program), is a major investment by the Government as part of its area strategy for the south-east where Cranbourne and Pakenham were identified as the 2 fastest growing corridors in the Melbourne metropolitan area requiring infrastructure support from government.*

*The State Government's view was that early rail usage patterns should be established in these newly developing areas through the early establishment of an electrified system even though patronage at the time was well below the ultimate levels catered for.*

*The diesel shuttle alternative referred to by the Victorian Auditor-General's Office was not the PTC's preferred option. It was exhaustively considered but then rejected in favour of the electrification project as the difference in capital cost (some \$7 million more for electrification) was far outweighed by the advantages of electrification:*

- *The diesel shuttle project required the purchase of 3 additional sprinter trains at a cost of some \$10 million in total (the electrification did not require new rolling stock). This would have increased the cost of this operation beyond the electrification cost; and*
- *Electric services have the advantage that rail patrons do not need to change trains at Dandenong (as would be the case with the diesel shuttle), thereby adding a greater incentive for people to commute by train to work in the south-eastern industrial areas as well as central Melbourne rather than travel by car.*

### *City Circle Tram Loop*

**4.40** The City Circle Tram Loop was included in the Program as part of the variation to the Commonwealth-State agreement signed in January 1993 although the project had been allocated a low priority by the Public Transport Corporation. There was no evidence to support the feasibility from a State perspective of proceeding with this project under the Program. A discussion paper prepared by the Corporation at the time outlined the reasons for the organisation's reluctance to proceed as:

- the Loop would not attract additional revenue and thus would not be consistent with the Corporation's overall aim of improving the financial viability of its operations;
- most of the passengers carried by the new service would not be new passengers to the public transport system;
- there did not appear to be a gap in service to be filled by the Loop; and
- it was estimated that the service would involve operating costs of up to \$2 million a year.



**4.41** When the project received formal approval under the Program, it became a high priority of the Government. As a result, the planned commissioning date, December 1994, for operation of the Loop was brought forward by 8 months and actual service commenced in April 1994.

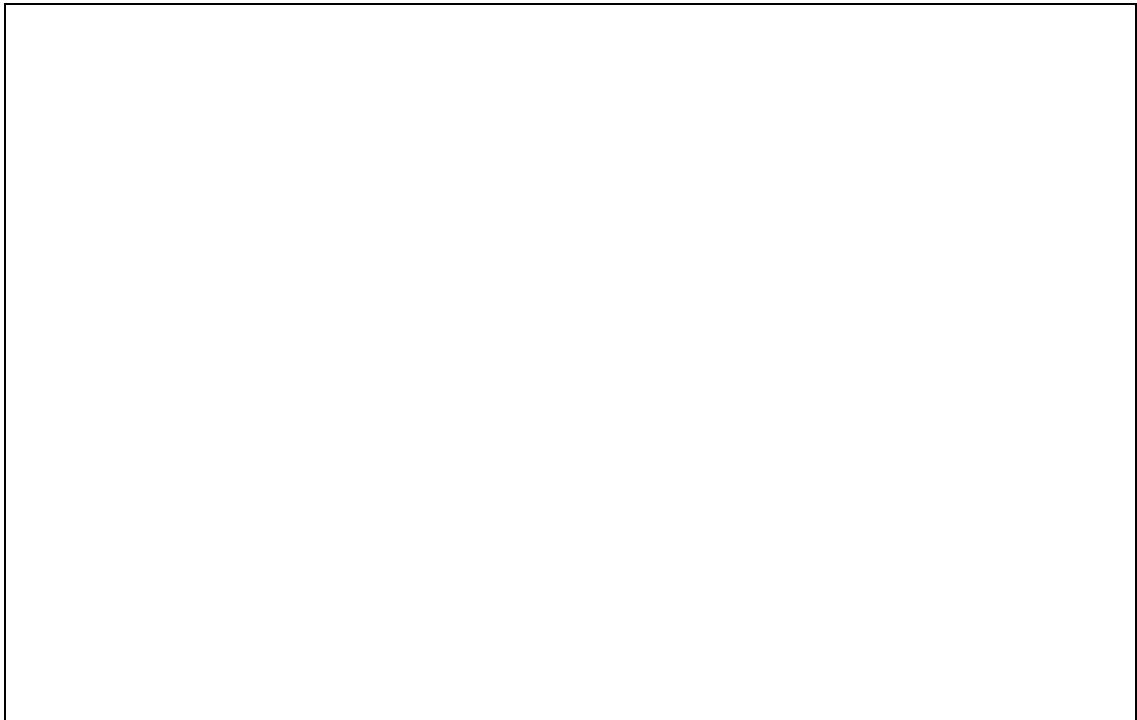
□ *RESPONSE provided by Secretary, Department of Infrastructure*

*As acknowledged by the Victorian Auditor-General's Office, this service has outstanding patronage. For Victoria as a whole, it has delivered benefits that far exceed the modest costs (essentially the forgone revenue of some \$1.9 million a year) incurred by the Public Transport Corporation in providing the service.*

*Many public transport services are provided by the Corporation for the benefit of the community at large without providing a financial return to the Corporation. The Corporation's role in this project was to satisfy wider government objectives such as: promoting tourism; providing better transport linkages within the central city area; and bringing more people into Melbourne's retail and entertainment heart.*

*Project scoping, costing, benefits etc. had been the subject of considerable discussion and evaluation and, to date, the project has exceeded most expectations.*

*The various committees that participated in the project provided invaluable assistance in achieving the relatively smooth completion of the project.*



City Circle tram.



**4.42** While the State has clearly benefited from inclusion of the above projects in the Program, the likelihood of achievement of optimum urban development outcomes would be greater if approved projects under joint development programs of the Australian and State Governments reflected priority rankings of the relevant state authority.

*RESPONSE* provided by Secretary, Department of Infrastructure

*How the Victorian Government determines its priorities is a matter for government policy.*

## IMPORTANCE OF THE PERFORMANCE MEASUREMENT FRAMEWORK

**4.43** This third element of audit's assessment of the Program's area strategy concept addresses the important matter of performance measurement. In this regard, the ability to form a judgement on the effectiveness of the Program is principally influenced by the soundness of the performance monitoring and measurement arrangements, including the nature of specific performance measures to assess actual achievement against intended outcomes, agreed by the State with the Australian Government.

**4.44** The performance measurement framework agreed to by the 2 governments and documented within the Program's agreement comprised:

- area strategy outcomes and related short, medium and long-term performance measures accompanied by milestones;
- *demonstration impacts* designed to be used to illustrate achievements and new approaches to development projects; and
- a requirement for the State to provide periodic reports on key matters which affect the timing or achievement of agreed outcomes.

### Area strategy outcomes and related measures

**4.45** Given the significance attached to area strategies within the Program's hierarchy, specific focus was directed within the agreement to identification of key outcomes under each area strategy which would be complementary to the Program's overall purpose and monitoring of progress against these outcomes.

**4.46** Similar to the point made in an earlier paragraph on the objectives established for each area strategy, audit found that intended outcomes were also very broadly structured. Table 4D shows the various outcomes for each area strategy which were agreed by the State with the Australian Government.

**TABLE 4D  
BUILDING BETTER CITIES PROGRAM - POTENTIAL OUTCOMES**

<u><i>Outcomes common to all area strategies</i></u>
<ul style="list-style-type: none"> <li>• Better integration and coordination of physical planning, social planning, economic development, infrastructure and environmental management.</li> <li>• Enhancement and protection of areas of urban and natural environments and to areas of heritage significance.</li> <li>• Effective demonstration impacts within the area and on comparable suburban regions with the State and elsewhere.</li> </ul>
<u><i>Specific outcomes</i></u>
<p><i>Inner Melbourne and Rivers area</i></p> <ul style="list-style-type: none"> <li>• Accelerated urban intensification within the area and greater housing choice and achievement of lower aggregate infrastructure cost.</li> <li>• Better integration and public transport linkages for housing residents and central city users.</li> <li>• Maintenance of an appropriate social mix in the area.</li> </ul>
<p><i>Plenty Road area</i></p> <ul style="list-style-type: none"> <li>• Higher average dwelling densities and greater housing choice.</li> <li>• Accelerate the provision of more appropriate care for residents and patients currently housed within the area's institutions.</li> <li>• Encouragement of economic activity, employment opportunities and industry development within the area.</li> <li>• Lower average social and physical infrastructure cost of urban growth.</li> </ul>
<p><i>South-East area</i></p> <ul style="list-style-type: none"> <li>• Higher average dwelling densities and greater housing choice.</li> <li>• Better integration of Dandenong-Cranbourne and Dandenong-Pakenham growth areas with the Dandenong District Centre, the labour markets in the south-east and Melbourne CBD through increased use of public transport and reduced reliance on private cars.</li> <li>• Lower average social and physical cost of urban growth.</li> </ul>
<p><i>South-West area</i></p> <ul style="list-style-type: none"> <li>• Higher average dwelling densities and greater housing choice.</li> <li>• Improved access to education and urban facilities and services and encouragement of economic activity and employment opportunities within the Geelong CBD area.</li> <li>• Better integration of the Melbourne, Werribee and Geelong labour markets through increased use of public transport and reduced reliance on private cars.</li> <li>• Encouragement of economic activity, employment opportunities and industry development particularly in food processing within the corridor.</li> </ul>

**4.47** Given the very broad nature of the intended outcomes for area strategies, audit quickly formed the view that the formulation of performance measures which would enable robust assessments of the effectiveness of the Program in meeting the established outcomes would be a most challenging exercise. The inclusion of many broadly-expressed statements of expected qualitative results for particular aspects of urban development, for example, greater housing choice, encouragement of employment opportunities and protection of natural environments, accentuated the difficulty of measuring effectiveness. In addition, the wording of outcomes mirrored, in many cases, their related objectives.



**4.48** It was against this background that audit examined the short, medium and long-term performance measures which had been developed under the Program for evaluating progress against outcomes in the State's 4 area strategies. This examination identified that:

- The performance measures intended to gauge outcomes were, in fact, generally of an output nature focusing mainly on completion of specific actions for the monitoring of progress of individual development projects. Very few measures established for the various projects were suitable to assess achievement of outcomes. By way of an example, which was typical of the situation for most other projects, Table 4E shows the measures determined for the redevelopment and devolution of institutional services under the Plenty Road area strategy. It can be seen that these measures are essentially outputs in nature and do not address the important qualitative element of the outcome dealing with the impact on quality of care for clients affected by the redevelopment process; and
- Base data, such as settlement patterns, employment levels, labour mobility and economic growth in areas, which would be critical to trend analyses for measuring the success of the Program in meeting related outcomes, had not been identified in the agreement for progressive compilation by the State.

**TABLE 4E  
PLENTY ROAD AREA STRATEGY - PERFORMANCE MEASURES FOR THE  
REDEVELOPMENT AND DEVOLUTION OF INSTITUTIONAL SERVICES**

<i>Intended outcome</i>	<i>Performance measures</i>
Accelerate the provision of more appropriate care for residents currently housed within the area's institutions	<p><b>Short-term</b></p> <ol style="list-style-type: none"> <li>1. Development of a strategy to rationalise existing psychiatric hospitals.</li> <li>2. Development of a master plan and development strategy for the release of surplus governments land.</li> <li>3. Completion of major renovations to existing psychiatric wards in other hospitals.</li> </ol> <p><b>Medium-term</b></p> <ol style="list-style-type: none"> <li>1. Construction of 13 psychiatric facilities in hospitals or residential units in line with agreed time frames.</li> <li>2. Decommissioning of psychiatric institutions in Bundoora and transfer of 320 places to other health facilities.</li> <li>3. Provision of accommodation for people with intellectual disabilities through the construction of housing and the provision of other appropriate accommodation.</li> </ol> <p><b>Long-term</b></p> <ol style="list-style-type: none"> <li>1. Completion and commissioning of a new psychiatric centre at Bundoora.</li> <li>2. Implementation of an integrated model of specialist psychiatric facilities in Victoria.</li> </ol>





**4.49** Given the above scenario, it is difficult for audit to comment specifically on the extent to which implementation of the Program in Victoria has been effective in meeting the wide range of outcomes specified for the area strategies. Nevertheless, it is clear that the 19 individual projects pursued within the State under the Program have made significant value adding contributions from a broad urban development perspective. These contributions are the subject of more detailed audit comment in Part 5 of this Report.

**4.50** **To the extent to which it is within the power of the State, the performance measurement framework under any future Commonwealth-State funding agreements should enable systematic evaluation of the effectiveness of the joint arrangements in meeting intended outcomes.** This approach would be consistent with the increasing significance placed on outcome measurement by governments at both national and State levels.

**□ RESPONSE** *provided by Secretary, Department of Human Services*

*The Department of Human Services (DHS) has taken action to ensure that new services and facilities developed are assessed in both qualitative and quantitative terms. While the Building Better Cities (BBC) funding agreement did not require qualitative outcomes in relation to clients, the mental health branch has funded research into the outcomes for people moving into Community Care Units funded by BBC moneys. The initial result indicates that the clients prefer their new setting to the former institutional one, and that their quality of life has improved. This project will continue for another year so that the longer-term outcomes for clients can also be assessed.*

*In any major redevelopment, the DHS implements a suitable process to ensure that the intended impact upon client services are monitored, and improvements highlighted. In this case, a number of Post-Occupancy Evaluation studies for all service models have commenced. These will identify the improvements in service delivery to clients and the improved fabric of the buildings, such information will then inform subsequent developments.*

*As one of the objectives of the BBC Program was to improve social justice, and the intended outcomes are the achievement of the objectives, then there is evidence to suggest that the redevelopment and devolution of institutional services has contributed to meeting this outcome. Since the redevelopment of services commenced, the communities' access to services in their locality has increased. The level of service provision has also increased and is now more equitably distributed across the State enabling a greater number of people in need to benefit from the services.*

*The psychiatric services for the North-East area originally proposed for Bundoora are now planned to be developed as part of the Austin Repatriation Medical Centre consolidation on the Heidelberg Repatriation Hospital site. This development has now been announced as part of the plan for Metropolitan Health Care Services.*

*A psychogeriatric service has been developed at the Bundoora Extended Care Centre on Plenty Road offering both acute and long-term care for elderly people with a mental illness.*

**Demonstration impacts of the Program**

**4.51** A secondary purpose of the Program was to use innovative planning and development techniques within funded projects as a means of demonstrating their potential for use in future development activities. To this end, each of the Victorian area strategies incorporated a list of proposed *demonstration impacts* for projects included within the Program. In short, this feature of the Program was designed to emphasise its contribution to improved delivery of future urban development projects.

**4.52** The audit examination of demonstration impacts outlined in area strategies indicated that the impacts were mainly a restatement of the area strategies' objectives and outcomes and did not identify specific innovative processes that could be used for future development projects. In addition, guidance was not available to agencies on the strategies to be employed in disseminating information to other relevant public sector agencies concerning improvements in project planning, design and construction techniques identified during implementation of the Program.

**4.53** An illustration of the broad nature of demonstration impacts outlined for the Program can be gleaned from Table 4F which shows the impacts which were recorded for the South-East area strategy.

**TABLE 4F  
DEMONSTRATION IMPACTS FOR THE SOUTH-EAST AREA STRATEGY**

<p><b>Demonstration impacts identified in the area strategy</b></p> <ul style="list-style-type: none"><li>• Greater use of rail transport and improved co-ordination of different transport nodes.</li><li>• Reduced use of cars for journeys to work.</li><li>• Provision of transport infrastructure in sequence with residential development.</li><li>• Transit-oriented residential development.</li></ul>
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**4.54** The demonstration impacts shown in Table 4F relate more to the aims of the area strategy rather than the means of illustrating innovative practices.

**4.55** While the above comments indicate some shortcomings in the way in which provision for demonstration impacts was reflected in the Program's overall framework, it is relevant to indicate that some valuable leading edge techniques were utilised by agencies with definite potential for dissemination of experience across the wider public sector. Part 5 of this Report includes information on these techniques.

**4.56** In any future joint government arrangements of a nature similar to the Program, more specific guidance on areas suitable for innovative practices or initiatives should be developed and dissemination of relevant information between agencies on leading edge techniques actually implemented should progressively occur.

□ *RESPONSE provided by Secretary, Department of Infrastructure*

*The development of a demonstration program has been strongly supported. The dissemination of information between agencies occurred extensively in Victoria. The Victorian approach provided a model for practice elsewhere. It included the hosting of technical seminars; production of a range of newsletters, brochures, videos, sponsorships of research projects, involvement of planning courses and students at Victorian universities; and nomination of innovative and best practice elements of projects for various State and national professional awards.*

### Reporting requirement for States

**4.57** A feature of the performance measurement framework for the Program was the establishment of accountability mechanisms for the reporting by States to the Australian Government on utilisation of approved funding. The agreement signed between the Australian and Victorian Governments included the following accountability mechanisms:

- provision by the State at agreed times of:
  - *"reports on key matters which affect the timing or achievement of agreed program outcomes in respect of an area strategy; and*
  - *information agreed to by the parties to allow joint annual and final evaluation of progress in meeting the outcomes of each strategy";*
- a requirement for ministers of participating governments to *"... each year make publicly available a joint report on the evaluation of each area strategy which shall include:*
  - *the approach/activities undertaken to implement the area strategy;*
  - *an account of actual outputs and outcomes achieved during the year in relation to agreed outcomes; and*
  - *a report on the assessment, modification or continuation of each area strategy".*

**4.58** The importance attached to annual evaluation reports by the States on their progress within area strategies was reinforced by the requirement under the agreement that the provision of Australian Government funding in any one year would be determined by taking into account:

- *"whether satisfactory progress has been made towards achieving agreed outcomes of each area strategy in the previous year; and*
- *the estimated cash flow and cost projections for area strategies".*



**4.59** In practice, the application of these reporting requirements resulted in the preparation of an annual evaluation report submitted by the State to the Australian Government on the progress of area strategies and, subsequently, the publication of a joint annual evaluation report by the Australian Government incorporating information on all area strategies implemented throughout Australia under the Program. Some reference is made by audit to Victoria's annual evaluation report in Part 5 of this Report dealing specifically with achievements under the Program.

**4.60** Audit examination of the reporting mechanisms established to cover Victoria's accountability under the Program identified that, in the absence of standards for the format and contents of reports, evaluation reports submitted by the State comprised largely narrative-style information on the progress of projects, with general references to outputs and milestones, rather than a structured approach to the comparison of actual performance against established measures and targets. In addition, because of the focus of the performance measures on output-related data, as discussed in an earlier paragraph of this Part, very limited performance information was provided in the reports on qualitative matters relating to the intended outcomes.

**4.61** **Audit concluded that, based on the Program's arrangements, there was scope to improve accountability mechanisms for future joint Commonwealth-State programs through the formulation of reporting standards which address, in a structured manner, performance against both outputs and outcomes.**

□ *RESPONSE provided by Secretary, Department of Infrastructure*

*The detailed frameworks for all annual responses by the States were set by the Commonwealth. These were fully complied with. The annual evaluation processes which focused on projects milestones and demonstration effects through area outcomes and outcome measures was considered to be overly time consuming and distracted from efforts to achieve more extensive flow-on effects from projects.*

# **Part 5**

## **Achievements under the Program**

**OVERVIEW**

**5.1** With the bulk of development activity under the Program finalised at 30 June 1996 and involving outlays of around \$330 million of Australian and State Government funds, there have been many value adding contributions to the State's urban development from participation in the Program.

**5.2** Audit examination of selected projects identified substantial achievement of short and medium-term targets of an output nature. In addition, progress has been made towards some of the broadly-expressed intended qualitative outcomes set for area strategies, particularly in relation to the redevelopment of public housing and improvements to public transport. The progress in these 2 categories provide a clear indication of the nature of enhancements to the State's urban development infrastructure which have resulted from the Program.

**5.3** Some innovative and leading edge project management techniques were utilised by some agencies during the course of the Program. These progressive approaches have definite potential for wider application across the public sector. In addition, in almost all cases, projects completed to date have been efficiently managed against the established time milestones.

**5.4** Finally, it will be important for the State to build on its accomplishments to date and maintain its urban development momentum if the Program's overall objectives and the related qualitative outcomes set for the area strategies are to be fully achieved.

**5.5** Part 4 of this Report examined the area strategy concept underpinning the Program. It incorporated a high level assessment by audit of the extent to which the framework established for Victoria's 4 area strategies reflected those characteristics necessary to enable judgements to be formed on the Program's overall effectiveness.

**5.6** This Part of the Report focuses on achievements in Victoria arising from the application of funding provided under the Program from the Australian and State Governments. An evaluation of achievements involves assessing the degree to which area strategies have been implemented efficiently and effectively. This process encompasses an analysis of the management of approved projects within each area strategy in terms of:

- performance for each project against the 2 categories of formally-determined yardsticks under the Program, namely, milestones (which were mainly schedules of tasks and related completion dates) and specific measures established for evaluating outcomes; and
- whether innovative processes, i.e. demonstration impacts, were utilised for the planning and implementation phases of the Program and demonstrate potential for use in future development projects undertaken by the State.



**5.7** In presenting comments on the above matters dealing with the overall implementation of Victoria's 4 area strategies, specific references have been made to the following 5 projects which were examined in detail during the audit:

- The redevelopment and devolution of institutional services within the Department of Human Services under the Plenty Road area strategy;
- Public transport improvements to the Cranbourne rail line managed by the Public Transport Corporation as part of the South East area strategy;
- The construction of the City Circle Tram Loop under the responsibility of the Public Transport Corporation within the Inner Melbourne and Rivers area strategy;
- The public housing redevelopment in North Melbourne, an element of the Inner Melbourne and Rivers area strategy and managed by the Housing Division within the Department of Human Services; and
- The expansion of the Australian Food Industry Science Centre at Werribee under the South West area strategy by the Department of Natural Resources and Environment.

<b>TIMELINESS OF COMPLETION OF PROJECTS</b>
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**5.8** The audit examination of the implementation of the 4 area strategies revealed that 15 of the 19 individual projects approved for Victoria under the Program had been fully completed in line with their respective milestones (or time targets) by 30 June 1996. These milestones were the principal efficiency measures formulated for approved projects.

**5.9** The remaining 4 projects are scheduled for completion by the end of 1997. The status of these projects at 30 June 1996 against their respective milestones was as follows:

*Inner Melbourne and Rivers area strategy*

- The *North Melbourne public housing redevelopment* project has involved the completion of 125 housing units which was the scheduled target number at 30 June 1996. A further 80 units are earmarked for completion by June 1997.
- The *release of surplus land for housing development in South Melbourne* project incorporated the requirement for the development of both private and public housing on a number of sites identified for residential development. The public housing aspect of the project has not proceeded on these sites with the 2 governments agreeing on alternative projects relating to the progressive refurbishment of properties in the centre of Melbourne for residential use, particularly redevelopment of Ebsworth House in Flinders Lane, to provide accommodation for elderly persons.

*Plenty Road area strategy*

- The housing development (public and private) at East Preston project was partially finalised with 269 residential units completed to 30 June 1996 (the targeted position at that date). A further 212 units planned at the development site are scheduled for completion during 1996-97.



- Initial delays were experienced in completing planning associated with the *redevelopment and devolution of institutional services* project due mainly to:
  - uncertainty surrounding the planning of psychiatric services redevelopments as a result of the need to co-ordinate projects approved under the Program in 1992 with projects funded simultaneously under the Australian Government's 1993 National Mental Health Policy Strategy. As a consequence, the State undertook a review of the deinstitutionalisation plans included in the Program; and
  - the need to resolve a number of planning issues associated with the redevelopment of land in the region.
- Prompt action by the Department of Human Services to address these delays has, however, resulted in clarification of planning associated with the deinstitutionalisation strategies of the Government and restricted any major impact on implementation of the project. The major consequence of delays associated with the project has been the deferral of the closure of the Janefield institution from June 1996 to June 1997, at which time all clients will either be relocated to community residential settings or to a new facility to be constructed in the Plenty Road area.
- Construction work funded under the Program is scheduled for completion in 1996-97 and further rationalisation of services will be pursued in the future in line with the wider State Government deinstitutionalisation program.

**5.10** If the above 4 projects are completed within their current time targets, all specific development activities in Victoria under the Program will be finalised by the end of 1997. Nevertheless, even though all formal activities under the Program may cease by that time, several associated developments such as the release of land for residential purposes as part of the Lynch's Bridge project in the Inner Melbourne and Rivers area strategy and release of institutional land for medium density housing in Bundoora, under the Plenty Road area strategy, are likely to continue as part of ongoing urban development activities by relevant State Government agencies.

**5.11** In summary, the audit examination identified the quite impressive situation that virtually all of Victoria's 19 projects had progressed in line with their determined time targets. With the one exception, the redevelopment and devolution of institutional services, time delays were outside the direct control of the relevant governing agency, the Department of Human Services, which, through proactive measures, was able to reduce the impact of delays. Also, completion of the City Circle Tram Loop project occurred in advance of planned time frames.

**5.12** **The widespread completion of projects within established time milestones indicates a high level of efficiency was achieved in the implementation of the Program in Victoria.**



**PERFORMANCE AGAINST OUTCOMES**

**5.13** As outlined in the previous Part of this Report, it is difficult for audit to comment specifically on the effectiveness of the Program in meeting the wide range of outcomes specified for the area strategies. This situation is due to the very broad nature of the intended outcomes and the use of performance measures for evaluating achievement of outcomes which were essentially output measures.

**5.14** Notwithstanding the limitations associated with assessing the effectiveness of the Program, there is little doubt that the implementation of area strategies and related projects has produced an extensive range of new infrastructure and facilities in Victoria. The Appendix to this Report provides a brief description of the 19 projects undertaken across the State's 4 area strategies and gives some indication of the diversity of the Program's contribution to urban development in the State.

**5.15** Because a number of individual projects included in area strategies formed part of wider ranging State development programs, the long-term impact of the Program and the area strategy approach will be largely reliant on the extent to which the State Government continues a regional-based approach to urban development.

**5.16** An encouraging development, from this viewpoint, was the State Government's recent launching of a major report titled, *the Urban Village Project* which proposes a redevelopment of existing suburban centres to "... explore ways to promote economic opportunities and environmental sustainability in Melbourne's urban areas". The report shares several development themes with those included in the Program's area strategy concept such as:

- the development of concept plans for 8 pilot urban village sites;
- higher density development along existing public transport facilities to restrain Melbourne's outer urban sprawl;
- a mix of housing types in urban developments; and
- encouragement of the construction and development industry to foster innovative, well-designed residential and commercial projects.

**5.17** In order to present some specific information on the performance of the Program against outcomes, audit determined to compare the performance of the 5 projects subject to detailed examination against their planned outputs. Where possible, audit also identified the contribution of the projects to some of the broadly expressed statements of expected qualitative results for particular aspects of urban development, which were evident in the outcomes officially established for the area strategies and shown in the earlier Table 4D.

**5.18** The relevant information is presented in the following paragraphs under the headings set out below:

- provision of community-based services for clients currently housed within institutions;
- improvements to public housing;
- enhanced public transport facilities; and
- encouragement of development in food processing industry.

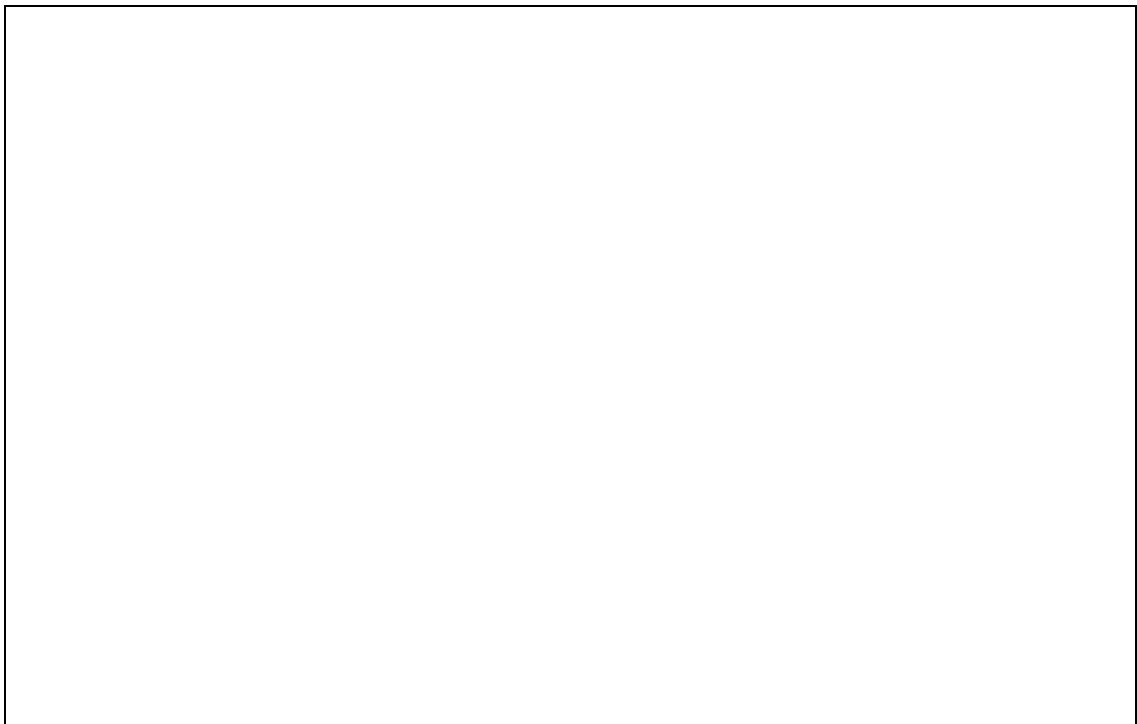
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**Provision of  
community-based services for clients currently housed within institutions**

**5.19** The redevelopment and devolution of institutional services under the Plenty Road area strategy was clearly related to the overall objective of the Program for institutional reform. The project, managed by the Department of Human Services, involved the deinstitutionalisation of services provided to both psychiatric and intellectual disability clients within the area. These services have existed in the area since the turn of the century and, until implementation of the project, catered for over 1 200 clients.

**5.20** Since the mid-1980s, Victorian Governments have adopted a policy of deinstitutionalisation of particular health services.

**5.21** The Program was seen as an opportunity for additional funding to accelerate devolution of services provided through the large psychiatric and intellectual disability institutions in the Plenty Road area strategy through the development of community-based facilities across metropolitan Melbourne and for utilising land vacated by the institutions for urban development.



*New community-based residential settings.*



**5.22** The Australian Government agreed to provide \$52 million for this project. In addition, of the \$52.3 million allocated by the State Government under the agreement for projects in the Plenty Road area strategy, an amount of \$28 million was earmarked for the project and was derived mainly from sales revenue earned through the release of Crown land for redevelopment.

**5.23** Funding provided by the Australian Government was principally utilised for the construction or redevelopment of community-based facilities.

**5.24** The performance information available to audit in respect of this project was limited to the measures formulated under the Program which were, as previously indicated, of a quantitative nature covering achievement of outputs mainly relating to completion of specified tasks. Table 5A compares actual performance at 30 June 1996 with the established measures and includes, for completeness of information, the related objective and intended outcome for the project as outlined in the area strategy.

**TABLE 5A  
REDEVELOPMENT AND DEVOLUTION OF INSTITUTIONAL SERVICES,  
COMPARISON OF ACTUAL PERFORMANCE AGAINST ESTABLISHED MEASURES**

<b>Area strategy objective</b> To achieve reforms in institutional services for persons with psychiatric or other disabilities.	
<b>Outcome</b> Accelerate the provision of more appropriate care for residents and patients currently housed within the area's institutions.	
<b>Performance measures</b>	<b>Actual achievements at 30 June 1996</b>
<b>Short-term</b>	
Development of a strategy to rationalise 4 existing hospitals (Bundoora, Mont Park, Plenty and Larundel) into one hospital to service the North-East.	Release of a strategy in June 1993 providing for total closure of all existing facilities in the precinct and location of 370 beds off-site within the funding constraints of the Program.
Development of a master plan and development strategy to release surplus government institutional land at Janefield (intellectually disabled) and Bundoora (psychiatric care) for housing development and other uses.	Development of a strategy in 1993-94 for the release of 350 hectares of land for medium density housing, student accommodation, parkland and heritage areas following closure of institutions.
Completion of major renovations to existing psychiatric wards of hospitals in other parts of Melbourne to promote improved access to psychiatric treatment and care.	Completion of ward renovations at existing hospital psychiatric wards.

**TABLE 5A**  
**REDEVELOPMENT AND DEVOLUTION OF INSTITUTIONAL SERVICES,**  
**COMPARISON OF ACTUAL PERFORMANCE AGAINST ESTABLISHED MEASURES - continued**

<i>Performance measures</i>	<i>Actual achievements at 30 June 1996</i>
<p><b>Medium-term</b></p> <p>Completion of 13 specialist services as part of a Statewide program in major hospitals (4 acute units) or in residential units (6 community care and 3 psychogeriatric units) with construction achieved within the time frames identified in the milestone chart.</p> <p>Decommissioning of psychiatric institutions in Bundoora and the transfer of 320 places to other health facilities throughout the Melbourne metropolitan area.</p> <p>Provision of accommodation for people with intellectual disabilities located in institutional settings at Janefield through the construction of appropriate and affordable housing in the area and provision of appropriate accommodation outside the area.</p>	<p>Construction of:</p> <ul style="list-style-type: none"> <li>• 3 acute care units at Box Hill, St Vincent's and Maroondah Hospitals.</li> <li>• a high dependency, acute care unit at Dandenong.</li> <li>• 6 Community Care Units across metropolitan Melbourne.</li> <li>• 5 psycho-geriatric nursing homes across metropolitan Melbourne.</li> <li>• 3 psycho-geriatric assessment and care centres.</li> </ul> <p>Closure of Bundoora Repatriation, Mont Park, and Plenty Hospitals, with Larundel Hospital operated on a reduced scale until mid-1997.</p> <p>Release of a 1994 master plan for the redevelopment of intellectual disability services including plans for closure of the Janefield site by June 1997.</p> <p>Progressive purchase or redevelopment of 44 community residential units.</p> <p>Relocation of 250 clients into community residential units.</p> <p>Construction of a cluster of community residential units to house 100 of the most dependent clients.</p>
<p><b>Long-term</b></p> <p>The completion and commissioning of a new psychiatric centre at Bundoora to service the North-East.</p> <p>The implementation of an integrated model of specialist psychiatric facilities in Victoria as part of mainstream reform of the State's health services comprising over 2 400 beds over 18 hospitals and more than 60 community-based services</p>	<p>Specific milestones for achievement of these long-term performance measures were not included in the Program agreement.</p> <p>Action to address these matters is currently in progress as part of the State's ongoing deinstitutionalisation program.</p>

**5.25** The information presented in Table 5A shows that under this project significant action has occurred in relation to the deinstitutionalisation of services in the Plenty Road area. Achievements to date have been largely in line with expected performance and, in the case of the relocation of psychiatric clients, have in fact exceeded performance with the relocation of 370 clients compared with the 320 planned under the Program.

**5.26** Little emphasis has been directed to date under the Building Better Cities Program to the important aspect of measuring qualitative outcomes such as the impact of deinstitutionalisation on the quality of life and care of clients. Discussions by audit with the Department of Human Services indicated that this element of performance evaluation was made more complicated by the long-term nature of the deinstitutionalisation process and the associated difficulty in assessing qualitative outcomes over the relatively short period since commencement of the relocation of clients to community facilities under the Program.



**5.27** From a State viewpoint, this shortcoming in performance measurement can be addressed as part of a requirement for the Department of Human Services to undertake similar evaluations of the impact of community-based service delivery on the quality of client care under the 1993 National Mental Health Strategy.

**5.28** Audit was advised by the Department that these evaluations are at the very preliminary stage with some limited survey work undertaken to date of clients relocated from the Janefield and Kingsbury institutions to new facilities constructed under the Program. The Department indicated that the initial reaction of the small number of clients surveyed to the changed services has been positive and reflected factors such as availability of new facilities rather than previously outdated institutional settings and the relocation of clients to areas more convenient to their families, local communities and support services.

**5.29** **The inclusion of the project under the Program has resulted in significant progress towards the State Government's aim of providing community care facilities for clients previously located within large institutions in the Plenty Road area.**

**5.30** **As the redevelopment progresses, assessments of the impact on quality of care and efficiency of service delivery will require careful monitoring by the Department of Human Services.**

□ *RESPONSE provided by Secretary, Department of Human Services*

*The Department of Human Services (DHS) has taken action to ensure that new services and facilities developed are assessed in both qualitative and quantitative terms. While the Building Better Cities (BBC) funding agreement did not require qualitative outcomes in relation to clients, the mental health branch has funded research into the outcomes for people moving into Community Care Units funded by BBC moneys. The initial result indicates that the clients prefer their new setting to the former institutional one, and that their quality of life has improved. This project will continue for another year so that the longer-term outcomes for clients can also be assessed.*

*In any major redevelopment the DHS implements a suitable process to ensure that the intended impact upon client services are monitored, and improvements highlighted. In this case a number of Post Occupancy Evaluation studies for all service models have commenced. These will identify the improvements in service delivery to clients and the improved fabric of the buildings, such information will then inform subsequent developments.*

*As one of the objectives of the Building Better Cities program was to improve social justice, and the intended outcomes are the achievement of the objectives, then there is evidence to suggest that the redevelopment and devolution of institutional services has contributed to meeting this outcome. Since the redevelopment of services commenced, the communities access to services in their locality has increased. the level of service provision has also increased and is now more equitably distributed across the State enabling a greater number of people in need to benefit from the services.*

*The psychiatric services for the North East Area originally proposed for Bundoora are now planned to be developed as part of the Austin Repatriation Medical Centre consolidation on the Heidelberg Repatriation Hospital site. This development has now been announced as part of the plan for Metropolitan Health Care Services.*

*A psychogeriatric service has been developed at the Bundoora Extended Care Centre on Plenty Road offering both acute and long term care for elderly people with a mental illness.*

*As part of the overall service redevelopment the State has moved increasingly towards evaluating the impact services have upon consumers. Within mental health services there is now a consumer and carer satisfaction survey in place, and a trial has recently been completed to assess an outcome measure for potential use across the service. These linked to the ability to monitor resource allocation and service utilisation will enable aspects such as quality of care and efficiency to be monitored.*

*Overall the Building Better Cities funding assisted the Department of Human Services with its reform agenda for mental health services across the State. Capital funds which were released by BBC funds enabled other developments to proceed earlier than at first anticipated. Some initial delays to the BBC projects did occur, due to a reappraisal of services and the development of a new Service Delivery Framework. Once the Framework was established it enabled projects to be progressed smoothly, as all stakeholders were clear as to the nature of service to be developed and where it fitted within the overall mental health system within Victoria.*

## **Redevelopment of public housing**

**5.31** The redevelopment of public housing was addressed in Victoria through the following 3 projects:

- the Housing development (public and private) at East Preston under the Plenty Road area strategy;
- North Melbourne public housing redevelopment within the Inner Melbourne and Rivers area strategy; and
- the housing development (public and private) at Norlane, Geelong under the South-West area strategy in the South-West area strategy.

**5.32** Management of these projects was assigned to the Housing Division within the Department of Human Services (up until April 1996, responsibility rested with the former Department of Planning and Development).

**5.33** An audit examination was undertaken of the project dealing with redevelopment of the Hotham public housing estate in North Melbourne. This project was included in the Inner Melbourne and Rivers area strategy as a means of meeting a key objective of the strategy, namely, "... establishment of models for redevelopment of public housing and management modes for provision of greater housing choice and affordability".

**5.34** The Hotham Estate was built in the early 1960s on land north of Melbourne which had been cleared of single storey terrace houses at the height of the former Housing Commission's slum reclamation program. Since that time, many of the existing public housing units had developed structural and design problems.



**5.35** The preamble comments in the Program's agreement relating to the Inner Melbourne and Rivers area strategy described the project in the following terms:

- *"This initiative involves the progressive renewal of an aged and inappropriate public housing estate. The project will replace existing walk-up and elderly person units with a similar number of units in the surrounding inner suburban terrace style housing and the construction of 2 bedroom and elderly persons units. The initiative will provide a demonstration of a model inner city redevelopment, whereby a traditional streetscape is reintroduced through close co-operation with tenants and local government".*



*Before redevelopment. Illustration of the previous Hotham public housing estate in North Melbourne, with low-rise walk-ups in foreground and to the right.*

**5.36** Aggregate funding for the project was \$33 million comprising \$17.2 million from the Australian Government and a State contribution of \$15.8 million.

**5.37** Consistent with the position found by audit for all of the State's area strategies, intended outcomes articulated for the Inner Melbourne and Rivers area strategy were very broadly stated. Audit considered that the outcome most closely aligned to the project was *"... accelerated urban intensification within the area and greater housing choice"*. In addition to the vagueness of the intended outcome, no specific performance measures were formulated in the area strategy for the project.



**5.38** In the absence of a clearly-expressed outcome under the area strategy and to facilitate and provide a sound direction for the project, the Department developed its own objectives for the redevelopment comprising:

- *"to maintain and, if possible, increase by 10 per cent, the overall dwelling yield to make best use of existing community facilities;*
- *to change the accommodation profile to provide a range of dwelling types better suited to the future needs of families;*
- *to maximise street addresses for family units, and to provide security for all units by clear definition of external spaces;*
- *to break down the 'estate' image and tie housing and streets back into the surrounding neighbourhood; and,*
- *to provide housing which will meet current Department standards and minimise maintenance costs".*

**5.39** Under the milestones established for the area strategy, the redevelopment was to include the construction of 214 housing units. By 30 June 1996, 125 units had been completed and construction of a further 80 units involving 3 stages, which will complete the project, is to be finalised in 1996-97.

**5.40** The reduction of 9 units from the initial milestone under the project resulted from an assessment by the Department in June 1995 that the construction cost of the 31 units included in the final stage of the project would be excessive in comparison with the average cost of units completed in other stages of the project. Major design changes, providing for 9 fewer units and a reduction of \$4.4 million in the estimated total cost of the project, were consequently made by the Department to reduce the construction cost of units in the final stage.

**5.41** At the date of preparation of this Report, negotiations by the Department were continuing with the Australian Government to utilise the unexpended funding for construction of an additional 9 units on an alternative site.

**5.42** The Department considers that the redevelopment of the Hotham estate has resulted in a number of achievements which can be aligned with several of the abovementioned objectives established by it for the project. These achievements, which have been confirmed by audit from visual inspection of the redevelopment and discussions with departmental representatives on site, are as follows:

- the 205 units provide a range of accommodation comprising a range of older persons units, family terrace housing and family apartment buildings;
- re-introduction of streets back into the estate has allowed the construction of residences in a design that is common to the surrounding area and has overcome many of the problems faced by tenants and the Department about the stigma attached to public housing estates; and
- a number of security enhancements have been incorporated in the redevelopment such as:
  - the presence of through traffic and police accessibility;
  - the creation of private space for families to watch over children and possessions; and
  - parking facilities in front of dwellings instead of within a common car park.





*New residential units at the Hotham public housing estate in North Melbourne, with street frontages and thoroughfares for traffic.*

**5.43** A survey of the satisfaction of tenants with the new accommodation provided in the redeveloped estate is planned by the Department following completion of the remaining units in 1996-97. Until this survey is undertaken and the results analysed, the Department will not be in a position to fully evaluate the effectiveness of the project in terms of the quality of housing provided to tenants.

**5.44** However, from the enhancements made to date to the housing infrastructure, it is quite clear that the redevelopment has increased the quality of public housing not only in comparison with that previously available on the estate but also to various other public housing estates throughout Melbourne. The project can therefore be viewed as making a marked contribution to achievement of its area strategy's related objective concerning the establishment of models for redevelopment of public housing.

**5.45** It is relevant to mention that the ultimate value of the project as a model for future public housing redevelopments may be affected by the outcome of potentially significant reforms to the Australian Government's policy for funding of public housing within the States, currently the subject of deliberation by the Australian and State Governments. The elements of policy reforms signalled by the Australian Government include a reduction of capital funding to the States for acquisition and construction of new public housing, a greater emphasis on directly subsidising both public and private housing tenants and an increased focus on the financial rather than social aspects of asset management. These elements may, depending on their final form, give rise to a reduced level of major public housing developments such as occurred with this project, particularly in the inner suburban area.

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**Improvements to public transport**

**5.46** The Victorian area strategies included a number of projects directed towards improving public transport with the associated aims of linking transport to employment centres and health, community and education services, and of reducing reliance on cars as a means of transport. Two of such projects, managed by the Public Transport Corporation, were examined in detail by audit, namely:

- construction of the City Circle Tram Loop in the central business district of Melbourne as part of the Inner Melbourne and Rivers area strategy; and
- improvements to the Cranbourne rail line in the South-East area strategy.

*City Circle Tram Loop*

**5.47** The City Circle Tram Loop was included as an approved project within the Inner Melbourne and Rivers area strategy as part of the 1993 variation to the agreement with the Australian Government. Against the background of the intended outcome for transport improvements formulated for the area strategy, the project had a primary aim of linking, by means of a tram loop, residential, tourism and retail developments to the south side of the City of Melbourne and along the Yarra River, to the north of the City.

**5.48** The original scope of this project, when approved in 1993, was for the construction of both an outer loop located along Latrobe, Victoria, Nicholson, Spring, Collins and Spencer Streets, Melbourne supported by an inner loop route utilising William Street, which runs between the north and south borders of the City. These plans were subsequently varied by the State in that:

- construction of the inner loop has not proceeded to date; and
- the route of the outer loop was amended during the course of the project to allow for operation of the loop along Flinders Street (the southern border of the central business district) rather than Collins Street.

**5.49** While construction of the project proceeded in line with the above variations, documentation could not be produced by the Public Transport Corporation to support the approval by the Australian Government to the reduced scope. No change to the level of approved funding by the Australian Government was made and the project, in its curtailed form, was completed in April 1994.



**5.50** Table 5C compares actual achievements under the project with the established performance measures which were of a short and medium-term nature. The table includes, for completeness of information, the related objective and intended outcome for the project as outlined in the area strategy.

**TABLE 5C  
CITY CIRCLE TRAM LOOP,  
COMPARISON OF ACTUAL PERFORMANCE AGAINST ESTABLISHED MEASURES**

<b>Area strategy objective</b> The encouragement of economic growth through strategic public transport and economic development initiatives.	
<b>Intended outcome</b> Better integration and public transport linkages for housing residents and central city users.	
<b>Performance measures</b>	<b>Actual achievements</b>
<b>Short-term</b> Completion of the Loop project (outer loop only) within the agreed time frame of December 1994.	Construction of the Loop was completed in April 1994 following acceleration of the project.
<b>Medium-term</b> Increase in daily trips (commercial, retail and tourism) to and around the central business district using the Loop compared with existing public transport use in the area.	The Public Transport Corporation estimates that patronage of the Loop is in excess of 3 million passengers a year. No information is available on comparison with pre-Loop transport usage. Limited user surveys also conducted.
Increase in generation of employment opportunities in retail and tourist-related businesses.	Unknown at this time.
Reduced dependence on cars for trips to and around the central business district for inner city residents and travellers to the district.	Unknown at this time.

**5.51** As illustrated in Table 5C, the Loop was completed 8 months in advance of the short-term performance measure established for the project.

**5.52** In relation to the medium-term performance measure on increased public transport usage around the central business district as a result of the Loop, no data directly aligned to the measure has been developed by the Corporation. However, it has undertaken the following actions which provide some insight on the extent of usage of the Loop and the profile of patrons:

- The compilation of estimates of patronage based on sample counts which suggest in excess of 3 million passengers a year, well in excess of initial expectations by the Corporation of approximately 500 000 passengers each year; and.



- Limited surveys of users of the Loop in September 1994 and February 1995. The latter survey covered approximately 430 passengers as a basis for identifying the profile of users and estimating revenue forgone from the use of the free service by passengers who previously utilised alternative public transport services. Based on the results of the survey, the Corporation concluded that:
  - the highest categories of surveyed users of the Loop were people employed within the CBD (59 per cent) and tourists (35 per cent);
  - 52 per cent of the 430 passengers held a valid public transport ticket indicating that they were transferring from other public transport services and had not been attracted solely by the free service provided by the Loop; and
  - the annual total costs of the project, including revenue forgone, were in the vicinity of \$1.9 million.

**5.53** For the remaining 2 medium-term measures identified in Table 2C, achievements under the project are unknown at this time. Given the likely dimension of the task involved in determining performance against the 2 measures this position was not surprising to audit. In discussions, the Corporation advised audit that it did not see monitoring of performance against these 2 measures as consistent with its role.

**5.54** **Notwithstanding that the Corporation estimates that substantial use is made of the Loop, the absence of more complete information precludes a definitive assessment of the project's effectiveness in achieving the established objective of encouraging economic growth as cited under the area strategy.**

**5.55** **It is also important that approval processes be clearly documented and available for audit scrutiny for variations to project designs in any future arrangements of this nature.**

□ *RESPONSE provided by Secretary, Department of Infrastructure*

*Projects were selected in an area strategy on the basis of broad strategic objectives, however, they were considered merely as catalysts in the achievement of these objectives. The specific relationship between individual projects and these area strategy objectives was less important than the synergies and opportunities created over time through the 3 spheres of government working together. Given the ambitious nature of this approach, the specific outputs of area strategies could not be identified or foreseen at the commencement of the Program. They were, and are, being identified through the joint annual evaluation process.*

*Monitoring the impact of public transport initiatives on car usage is a Department of Infrastructure role. This is particularly relevant in the context of the draft strategic framework provided in "Transporting Melbourne" which was released on 2 October 1996 and, among other initiatives, highlights opportunities for public transport in Melbourne to become the mode of choice in the transport-rich city and inner suburbs.*

*Electrification of the Cranbourne rail line*

**5.56** The original Victorian submission for the Program included the proposal to establish a diesel shuttle service on the Cranbourne rail line at an estimated cost of \$19.9 million. As previously referred to in Part 4 of this Report, subsequent to the initial submission, the State received approval from the Australian Government to vary the proposal to allow for electrification of the Cranbourne rail line at a cost of \$27.1 million. Construction of the new rail line was completed in March 1995.

**5.57** While a number of area strategy objectives could be aligned with the project, the key emphasis directed in the preamble narrative of the area strategy to construction of the Cranbourne rail line was "... to improve public transport links which would encourage residential, commercial and industry development in the South-East".

**5.58** Table 5D compares the objectives, intended outcome and performance measures established for the project with the actual performance.

**TABLE 5D  
ELECTRIFICATION OF THE CRANBOURNE RAIL LINE,  
COMPARISON OF OBJECTIVES, INTENDED OUTCOME AND PERFORMANCE  
MEASURES WITH ACTUAL PERFORMANCE**

<b>Area strategy objective</b>	
<ul style="list-style-type: none"> <li>• Enhancing labour market mobility through transport improvements.</li> <li>• Reduce the level of car utilisation by providing effective public transport alternatives.</li> <li>• Improve access to health, education and community services through transport improvements.</li> </ul>	
<b>Outcomes</b>	
Better integration of Dandenong-Cranbourne growth area with the Dandenong District Centre, the labour markets in the south-east and Melbourne CBD through increased use of public transport and reduced reliance on private cars.	
<b>Performance measures</b>	<b>Actual achievements</b>
<b>Short-term</b>	
Establishment of patronage and car park targets based on market research.	Targets established.
<b>Medium-term</b>	
Completion of the upgrade of the existing rail service between Cranbourne and Dandenong to full electrification including the construction of new stations and interchange facilities during 1994-95.	Planned infrastructure works completed and rail line opened in March 1995.
<b>Long-term</b>	
Reduced reliance on private cars through the achievement of previously established patronage and car parking targets as indicators of fewer people using private cars.	Surveys undertaken by the Corporation indicate that initial patronage targets have been achieved. Further long-term analysis will be required of patronage levels and the impact on car usage.

**5.59** In line with the short-term requirement for the establishment of patronage and car park targets based on market research, the Corporation formulated market-related targets for both patronage and the use of car park facilities.



**5.60** In relation to the medium-term performance measure, achievement by the Corporation of completion of the project within the specified time frame incorporated, as part of the establishment of the new passenger rail service between Cranbourne and Dandenong, construction of new stations at Cranbourne and Merinda Park, new interchange facilities and improvements to track and signalling capacity.

**5.61** In relation to the longer-term measure, the Corporation has compiled initial estimates which, based on sample surveys, show:

- weekly patronage of the rail line has increased from 8 000 in June 1995 to 10 000 in March 1996, with the latter figure consistent with its earlier patronage targets; and
- the number of cars parked at the Cranbourne and Merinda Park stations has increased by approximately 80 per cent between April 1995 and March 1996.

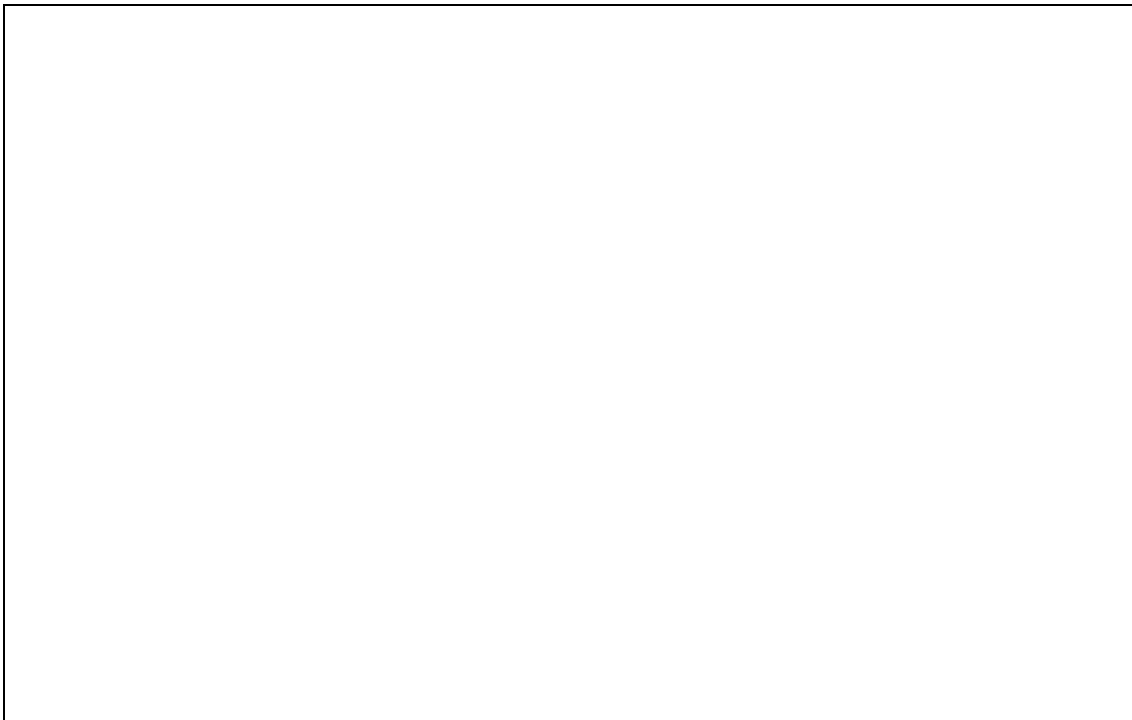
**5.62** It can be seen from the above information that, through the provision of enhanced transport facilities and the early positive trends in patronage levels, the project has significantly contributed to the objectives formulated for it within the South-East area strategy.

**Encouragement of development in the food processing industry**

**5.63** A principal outcome within the South-West area strategy was the encouragement of economic activity, employment opportunities and industry development, particularly in the food processing industry.

**5.64** Further expansion of the facilities of the Australian Food Industry Science Centre at Werribee was a key project directed towards achievement of this outcome. (Prior to its establishment, from 1 July 1995, as an independent statutory corporation, the Centre was known as the Food Research Institute, and was under the responsibility of the former Department of Agriculture.) The Centre provides a focus for research programs linking agricultural production to subsequent food processing and, in association with industry, aims to identify markets and develop appropriate products for these markets. In addition, the Centre assists in providing education to students in the agriculture sector and, on a commercial basis, makes its expertise and facilities available to the private sector.

**5.65** Under the Program, the Australian Government provided \$18 million for the construction of new facilities for the Centre. These facilities comprise an administration complex, and associated research facilities including a food processing centre, laboratories, engineering complex and a centre for use by clients.



*Part of the expansion of facilities for the Australian Food Industry Science Centre illustrating the food processing centre.*

**5.66** In July 1994, the Secretary of the former Department of Agriculture commissioned a strategic review of the future roles and management of the Institute, which was directed at maximising its potential to become a world leader in food research, an opportunity arising in part from the new facilities under the Program. The report on this review, finalised in December 1994, cited the means for the Centre to realise this potential by:

- redefining its mission and objective to focus on support for the growth of the food processing industry, particularly in export development;
- developing a strong generic technology base on which to achieve excellence in a small number of key technologies;
- becoming more business oriented in its applied and commercial research; and;
- having an organisational structure which reflects its core business activities.

**5.67** Table 5E provides a comparison of the performance measures established for the project and the actual performance to date.

**TABLE 5E  
AUSTRALIAN FOOD INDUSTRY SCIENCE CENTRE WERRIBEE,  
COMPARISON OF PERFORMANCE MEASURES TO ACTUAL PERFORMANCE**

<b>Area strategy objective</b> Promote economic development, employment, training and educational opportunities in the Geelong and Werribee sectors by advancing development of the Werribee Bio-Technology precinct as well as strategic facilities in the Geelong region.	
<b>Outcomes</b> Encouragement of economic activity, employment opportunities and industry development particularly in the food processing industry	
<b>Performance measures and milestones</b>	<b>Actual achievements</b>
<b>Short-term</b> Completion of the proposed capital works during 1994-95.	The Centre was officially opened in September 1994.
<b>Medium-term</b> Increase of 90 jobs in the precinct by 1995-96 through the completion of the Australian Food Industry Science Centre and associated activities. Achievement of occupancy rate of 45 per cent for the Centre's facilities by 1995-96.	Total of 100 new jobs achieved in the Centre and other research agencies within the Werribee precinct. Occupancy rate of 75 per cent achieved. Improved occupancy has contributed to a substantial increase in commercial contracts arising from use of Centre facilities.
<b>Long-term</b> Achievement of occupancy rate of 60 per cent for the Centre's facilities by 1998-99. Increase contract projects to generate income of \$4 million a year. Development of linkages between the Centre and other research agencies in the area.	"As above" Unknown at this time. New Centre facilities have acted as a catalyst for relocation of other research agencies and food industry companies to the area.

**5.68** It is clear that the short and medium-term performance measures established for the project have been achieved.

**5.69** An assessment of the effectiveness of the project in terms of the key elements of the intended outcome, namely, encouraging economic activity, employment opportunities and industry development, will be largely dependent not only on the level of use of the Centre's facilities as provided in the above measures but, in the longer-term, on the results of research conducted by both the Centre and the private sector in the use of these facilities.





**5.70** The long-term nature of the Centre's research activities preclude a detailed examination of the effectiveness of the project at this early stage. However, discussions by audit with Centre management and local government representatives identified early instances of the Centre, through its expanded facilities, acting as a catalyst in attracting other research agencies and a number of companies in the food industry to the area.

**5.71** While progress has been made towards productive use of new food research facilities constructed under the Program, on-going assessment of the utilisation of the facilities will need to be made in terms of their impact on the generation of economic development, increased employment and educational opportunities.

**DEMONSTRATION OF INNOVATIVE PROCESSES**

**5.72** As referred to in Part 4 of this Report, the Program's aims included the use of innovative planning and development techniques within funded projects as a means of demonstrating their potential for use in future development activities.

**5.73** The earlier audit comments identified some shortcomings in the way in which provision for demonstration impacts was reflected in the Program's overall framework. Notwithstanding these shortcomings, innovative and leading edge techniques, with definite potential for dissemination of experience across the wider public sector, were utilised by agencies responsible for the management of specific projects.

*Department of Human Services  
(Redevelopment and devolution of institutional services)*

**5.74** The redevelopment and devolution of institutional services incorporated 2 elements: psychiatric services and intellectual disability services. Separate project management processes were used by the Department of Human Services for each of these elements.

**5.75** While construction of new psychiatric service facilities was managed by the Department, actual construction work was contracted to the private sector. To ensure the efficiency of the contracting and construction process, the Department instituted a range of processes, such as fast tracking of project designs, construction methods and planning approvals. The Department also appointed a redevelopment team to manage the closure of institutions and the relocation of clients to new facilities.

**5.76** For the intellectual disability aspect of the project, a redevelopment team was appointed to implement strategies for the delivery of the project and monitor ongoing progress. The Department appointed the Office of Building within the former Department of Planning and Development to undertake the day-to-day management of the project.



**5.77** The 2 redevelopment teams were also responsible throughout the implementation of the project for maintaining effective consultative processes with clients affected by the redevelopment process and relevant community groups. While a number of planning issues have arisen during the course of the project, such as the location of community facilities in other areas of Melbourne, the operation of these consultative processes assisted in minimising any delays associated with the resolution of these issues.

*Public Transport Corporation  
(Electrification of the Cranbourne rail line)*

**5.78** A number of difficulties in the planning stage of the project resulted in initial delays in the development of tender documentation by the Public Transport Corporation. These difficulties, which required an innovative response by the Corporation, were mainly due to:

- a lack of formally documented procedures for developing the scope and specifications of major infrastructure works; and
- the inexperience of Corporation staff in preparing such documentation which dealt with an outsourced arrangement, as previous major infrastructure works had been performed internally.

**5.79** As a result of these experiences, the Corporation developed a range of standards, particularly related to project specifications and in tendering processes for the outsourcing of major works, which will facilitate the planning and implementation of future infrastructure projects

**5.80** Despite the initial delays in the project, the application of these revised processes enabled the Cranbourne rail line to be brought into service in March 1995 which was in accordance with initial time estimates.

□ *RESPONSE provided by Secretary, Department of Infrastructure*

*Electrification of the Cranbourne rail line was one of the first major design and construct projects for the Public Transport Corporation. Despite "teething" problems it was delivered as planned.*

*Department of Human Services  
(Redevelopment of public housing in North Melbourne)*

**5.81** The Property Acquisition Group within the Housing Division of the Department of Human Services was assigned responsibility for management of the redevelopment. Key features of the management of the project included:

- The Property Acquisition Group has achieved accreditation to International Standard ISO 9000 for service delivery. The Group's quality certification facilitated effective management of the project;
- A set of generic parameters was used in tendering out the design phase of the project which minimised negotiation and potential for dispute over design requirements and contract conditions;



- Amendments were made to existing planning approval processes whereby, in lieu of the normal requirement for progressive approval of each stage of a project, a concept plan was approved at the commencement of the project with each stage measured against predetermined construction standards;
- Establishment of project control and community consultation groups to facilitate the redevelopment and assist in the relocation of housing tenants during the course of construction. Processes utilised during this project have assisted in the development of a policy for communicating with tenants in future projects of a similar nature; and
- The Department, its architects and builders received a Master Builders of Australia Excellence Commendation for work undertaken in the second stage of this redevelopment. The award recognises "... the effort by all stakeholders in establishing effective working relationships through a mutually-developed, formal strategy of commitment and communication".

**5.82 The experiences and the leading edge practices applied to planning and consultative processes by the various public sector agencies involved in the Program should be disseminated throughout the public sector for information and to encourage implementation of best practice processes.**

□ *RESPONSE provided by Secretary, Department of Infrastructure*

*The development of a demonstration program has been strongly supported. The dissemination of information between agencies occurred extensively in Victoria. The Victorian approach provided a model for practice elsewhere. It included the hosting of technical seminars; production of a range of newsletters, brochures, videos, sponsorships of research projects, involvement of planning courses and students at Victorian universities; and nomination of innovative and best practice elements of projects for various State and national professional awards.*

# **Part 6**

## **Management and accountability framework**



**OVERVIEW**

**6.1** Because of the dimension of the Program, the State's established management structure necessarily involved several elements, with key co-ordinating responsibilities resting with the central Better Cities Unit. This Unit was an effective contributor to the Program's performance which reinforced the importance of a well structured central co-ordinating mechanism for large government programs involving a number of agencies across the public sector.

**6.2** Separate records dealing with the expenditure of State funds on individual projects were not maintained by the various agencies associated with the Program. As such, audit was not in a position to analyse and verify this expenditure. The only information available on State contributions took the form of global estimates gathered from other agencies by the Better Cities Unit. This weakness in the financial accountability arrangements was surprising, given that the Program had been in operation since 1992 and had involved significant outlays.

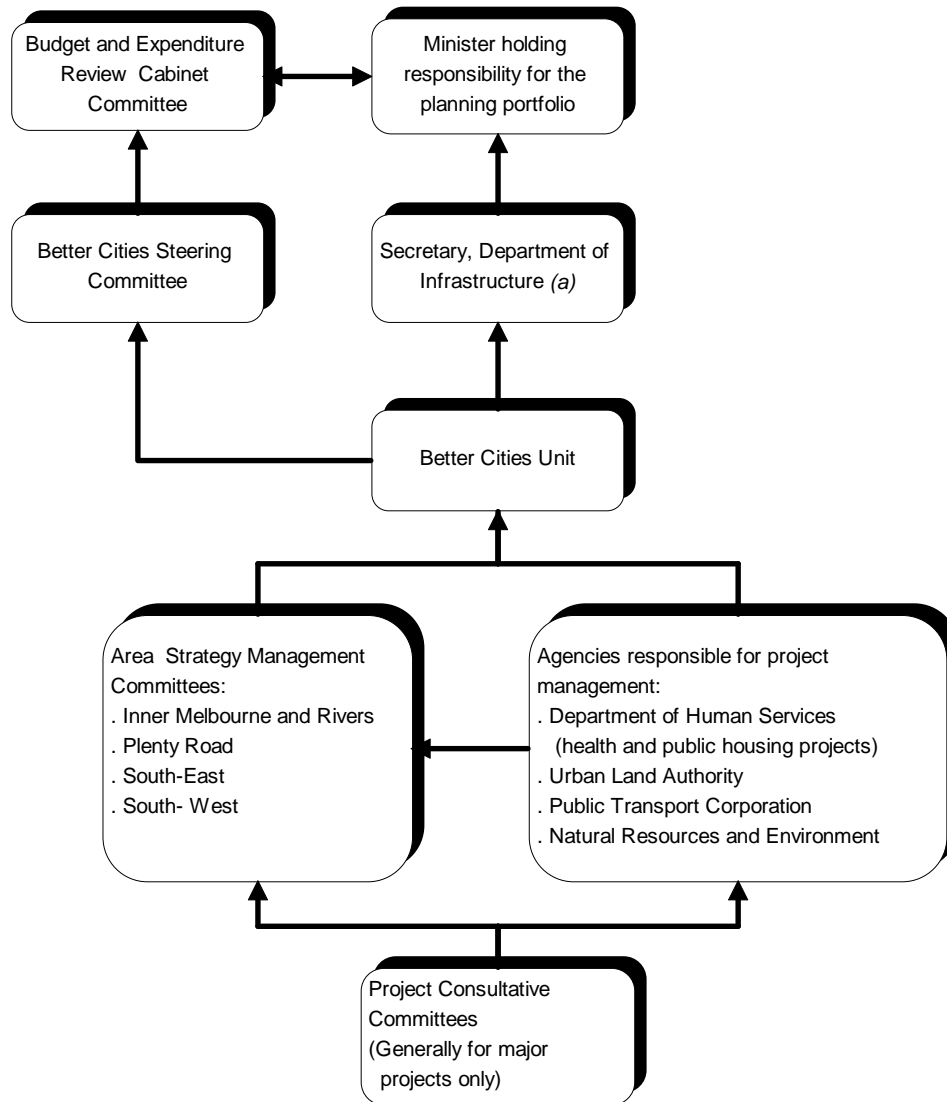
**NATURE OF THE PROGRAM'S MANAGEMENT STRUCTURE**

**6.3** Overall responsibility for the Program in Victoria has been assigned over the years to the Minister holding responsibility for the planning portfolio.

**6.4** Chart 6A illustrates the management structure established in Victoria for implementation of the Program.



**CHART 6  
BUILDING BETTER CITIES MANAGEMENT STRUCTURE**



(a) Responsibility up to the April 1996 machinery of government changes rested with the former Department of Planning and Development.

**Operation of area strategy committees**

**6.5** A major aim of the Program was to demonstrate improved co-ordination between the various levels of government in the planning and delivery of urban development programs. To meet this aim, each of the Victorian area strategies included as an outcome, the "... *better integration and co-ordination of physical planning, social planning, economic development, infrastructure and environmental management*". A key activity established with the objective of achieving this outcome was the establishment and regular convening of committees to oversee the implementation of each area strategy.



**6.6** An examination by audit of the operation of the 4 area strategy committees identified that:

- Area strategy management committees were quite large and comprised up to 20 members representing various government agencies in each area and local organisations. Discussions with the Better Cities Unit indicated that this arrangement tended to be cumbersome and that more effective operation of the committees may have been achieved with smaller membership numbers and a greater focus on consultation with the local community;
- The involvement of local government in the activities of area committees was not as prominent as that which would be expected under the Program, principally because of the extensive restructuring of local government in Victoria; and
- Managers within agencies responsible for the implementation of projects had limited liaison with relevant committees and largely managed individual projects in isolation of the committee structure. As a consequence, the opportunity for co-ordination of approaches for jointly achieving area strategy objectives was reduced. By way of illustration, the co-ordinating efforts of the South-West Area Committee were extensive and contrasted with the limited activities of the other 3 area committees.

**6.7** The experience under the Program in the above areas should be assessed with a view to determining the most appropriate role for local management committees in any future development programs of a similar nature.

**Role of the Better Cities Unit**

**6.8** The Better Cities Unit was established to perform central co-ordination functions for the Program including:

- co-ordination of the annual evaluation of area strategies for submission to the Australian Government as required under the agreement;
- overview of capital planning of the Program, including budget allocations;
- provision of information as required to the Budget and Expenditure Review Committee and Steering Committee; and
- liaison with project managers within the various public sector agencies.

**6.9** Audit found the Unit to be an effective component of the overall management structure for the Program which reinforced the value of a central co-ordinating unit for programs involving a range of agencies across the State.

<b>ANALYSIS OF STATE CONTRIBUTIONS</b>
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**6.10** As outlined in Part 2 of this Report, the Australian Government agreed to provide up to \$209 million over 5 years, from the commencement of the first phase of the Program in 1991 for projects incorporated within Victorian area strategies. The State Government also agreed to provide a further \$140 million across the 4 area strategies comprising cash contributions (including the proceeds from the sale of land released for development under the Program) and land made available for specific projects.



**6.11** Australian Government funding of \$209 million will be fully utilised in the completion of projects. At 30 June 1996, the State has received \$198 million with remaining funding of \$11 million to be progressively received in 1996-97.

**6.12** Separate records relating specifically to the expenditure of State funds on individual projects were not maintained by the various government agencies associated with the Program. As such, it was not possible for audit to verify and analyse the expenditure of State funds. The Better Cities Unit advised audit that, based on information provided to it by the various agencies, it estimates that State Government contributions to the Program by 30 June 1996 had amounted to \$134 million, with the balance of \$6 million to be made in 1996-97.

**6.13** The following weaknesses were identified by audit in the accountability processes in place for funding provided by the State to the Program.

- Because the agreement provided only for estimates of total State contributions for each area strategy, with amounts for individual projects regarded as a matter for determination by the State, uncertainty subsequently arose between the Australian and State Governments concerning the level of State funding for the project involving the release of surplus land for housing development in South Melbourne. In this regard, the preamble to the Inner Melbourne and Rivers area strategy provided for the reinvestment of the proceeds of sale of the Prince Henry's hospital site in South Melbourne for that project. The uncertainty at government level arose over whether the amount of the sale proceeds, \$27.2 million, formed part of, or should be additional to, the agreed State contribution of \$47 million for the area strategy. Audit was informed by the Better Cities Unit that eventual consensus was verbally reached between the 2 Governments on the matter with the Australian Government forming the view that the aggregate contribution by the State to the area strategy was in line with agreed arrangements. However, no formal evidence could be produced to support the position;
- The agreement did not make provision for the impact of changes in contributions resulting from subsequent variations in proceeds from the sale of land earmarked for use under the Program;
- State agencies responsible for the management of projects did not separate records of expenditure under the Program from outlays on other capital works projects; and
- There was little evidence to indicate that State contributions were monitored on an ongoing basis and, despite the magnitude of funds involved over a 4 year period, the only information available on State contributions took the form of global estimates gathered from other agencies by the Better Cities Unit.





**6.14** For any future Commonwealth-State arrangements of a similar nature to the Program, the accountability framework for the State's financial contributions should encompass:

- agreement on funding allocations to individual projects;
- standard financial recording and reporting requirements for agencies responsible for projects; and
- periodic collating of aggregate contributions to the Program.

*RESPONSE provided by Secretary, Department of Infrastructure*

*As agreed with the Commonwealth, the Victorian contribution was to each area strategy as a whole. This provided the flexibility to respond to emerging opportunities and changing State Government policy over time.*

# **Appendix**

## **Victoria's approved projects**

**INNER MELBOURNE AND RIVERS AREA STRATEGY**

**North Melbourne public housing redevelopment**

The redevelopment of public housing in North Melbourne involved the progressive renewal of aged and inappropriate public housing on the Hotham estate. The project replaced existing walk-up and elderly person units with a similar number of units in the surrounding inner suburban terrace-style housing and the construction of 2 bedroom and elderly persons units.

By 30 June 1996, 125 units had been completed with construction of a further 80 units, which will complete the project, to be finalised in 1996-97.

**City Circle Tram Loop**

Construction of the City Circle Tram Loop had a primary aim of linking residential, tourism and retail developments to the south side of the City of Melbourne and along the Yarra River, to the north of the City. Construction of the Loop was completed in April 1994 following acceleration of the project from its initially planned completion date of December 1994.

Estimates of patronage, based on sample counts compiled by the Public Transport Corporation, suggest patronage of the loop is in excess of 3 million passengers a year, well in excess of initial expectations by the Corporation of approximately 500 000 passengers each year.

**South Melbourne release of surplus land for housing development**

The aim of this initiative was to demonstrate and promote the provision of affordable housing models by developing surplus and underutilised land in the South Melbourne area. The project involved the construction of 600 private and public dwellings.

Since commencement of development in the area, private developers have either completed, or are planning to construct, in excess of 1 000 dwellings in the area.

The development of public housing in the area has not proceeded due to difficulties in maintaining costs within affordable limits. Alternative projects have been commenced by the State Government to satisfy the affordable housing component of the project including the refurbishment of Ebsworth House within central Melbourne for use as accommodation for the elderly.

**Lynch's Bridge housing development: Flood mitigation and site works**

The aim of this project was to alleviate periodic flooding along the Maribyrnong River's lower reaches to allow the development on previously underutilised land of up to 1 200 medium density dwellings in Kensington.

All works were completed in 1994. The land is now under development for the eventual construction of 1 500 private and public dwellings to the west of Melbourne at Lynch's Bridge, Maidstone and Maribyrnong.

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### **Lynch's Bridge stage 2 land release**

Under this project, land was released for the purpose of establishing models of inner urban developments. Residential developments were to be undertaken in joint venture arrangements with the private sector and were aimed at increasing medium density housing in an area where the use of existing infrastructure could be maximised.

Development of the land is currently in progress and will eventually incorporate a mix of public and private dwellings.

<b>PLENTY ROAD AREA STRATEGY</b>
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### **Redevelopment and devolution of institutional services**

The intended outcome for the redevelopment and devolution of institutional services was to accelerate the provision of more appropriate care for residents and patients currently housed within the area's institutions. The project incorporated a range of activities including:

- development of a strategy to rationalise the 4 existing hospitals (Bundoora, Mont Park, Plenty and Larundel) in to one hospital to service the North-East;
- completion of major renovations to existing psychiatric wards of hospitals in other parts of Melbourne to promote improved access to psychiatric treatment and care;
- construction of 13 specialist services as part of a Statewide program in major hospitals or in residential units;
- decommissioning of psychiatric institutions in Bundoora and the transfer of 320 places to other health facilities throughout the Melbourne metropolitan area; and
- provision of accommodation for people with intellectual disabilities through the construction of appropriate and affordable housing in the area and provision of appropriate accommodation outside the area.

Implementation of the project is continuing with all activities planned for completion in 1997.

### **Institutional land release for medium density housing**

The closure of institutes as a result of the redevelopment and devolution of institutional services will open up opportunities for the release of surplus government land for medium density housing, commercial and retail development. Under the Program, funds were provided for the preparation of a strategy for the release of this land for subsequent development.

Strategies were completed in 1994 and development will continue as land becomes available following closure of the institutions in the area.

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**Housing development (public and private) at East Preston**

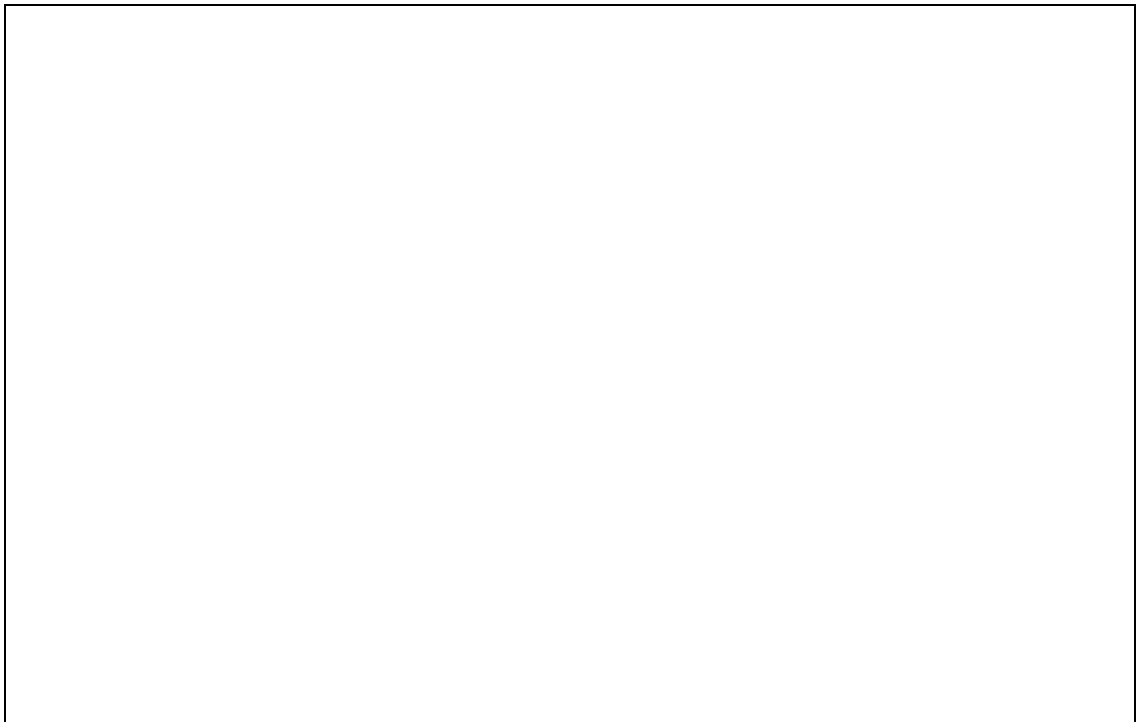
The development of housing at East Preston involved the replacement of 452 ageing and inappropriate public houses and units in the area with 481 new units. Key aims of the project were the introduction of a mix of public and private housing, increased housing density and the demonstration of potential methods for the redevelopment of obsolete housing in surrounding areas.

At 30 June 1996, construction of 269 residential units has been completed with the remaining 212 units to be completed by June 1997.

**Light rail extension - Bundoora**

The aim of the light rail extension was to establish public transport usage among students, staff and residents through linking transport services with planned residential developments, associated with the redevelopment of institutional services, and with the expansion of tertiary education facilities in the Plenty Road area.

The project involved extension of existing tram lines and associated works such as signalling, tram stops, road works and landscaping, and was completed in September 1995.



*Construction works on the Plenty Road light rail extension.*

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### **La Trobe Technology Precinct**

To encourage business development and employment opportunities within the area, funding was provided under the Program for the ongoing development of the La Trobe Technology Precinct. The project included construction of a business centre to provide necessary facilities to new innovative businesses in their formative stages.

The centre was completed in 1995 and to date has assisted in the establishment of 14 new businesses.

<b>SOUTH-EAST AREA STRATEGY</b>
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#### **Public transport improvements: Cranbourne rail line**

Development of the Cranbourne rail line was aimed at improving public transport links which would encourage residential, commercial and industry development in the South-East.

The project was completed in 1995 with the establishment of a new passenger rail service between Cranbourne and Dandenong, construction of new stations at Cranbourne and Merinda Park, new interchange facilities, and improvements to track and signalling capacity.

Based on sample surveys, the Public Transport Corporation has compiled initial estimates which show that weekly patronage of the line has increased from 8 000 in June 1995 to 10 000 in March 1996.

#### **Public transport improvements: Dandenong-Pakenham line**

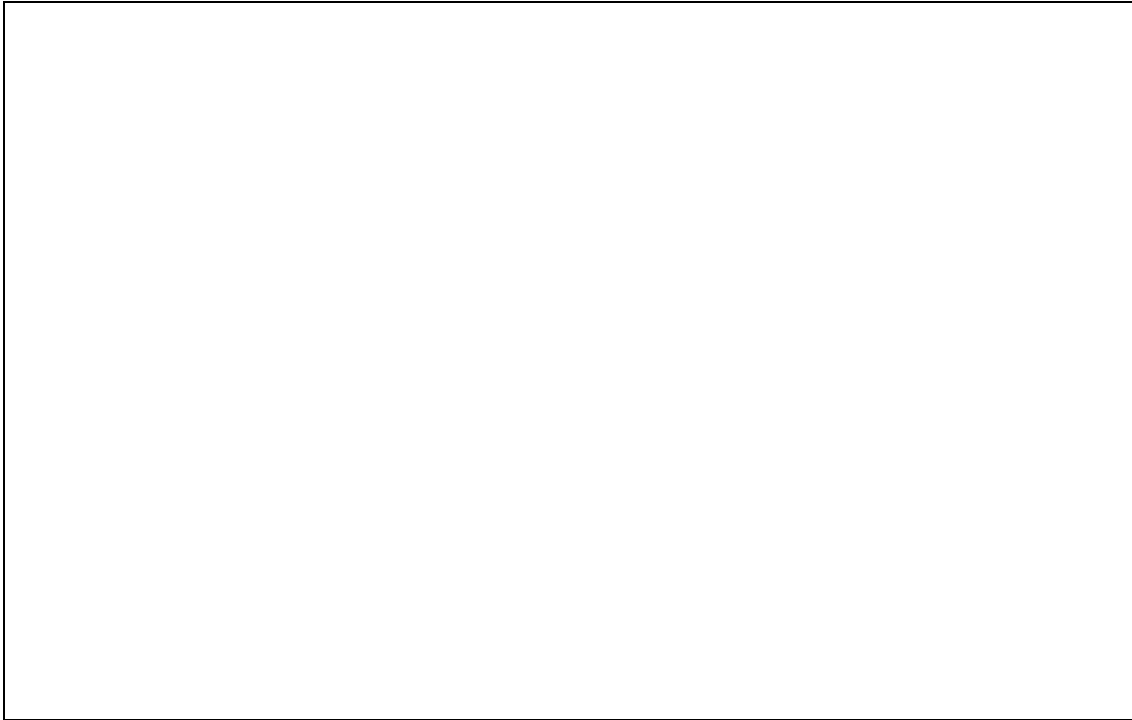
The improvements to the Dandenong-Pakenham rail line involved the redevelopment of the Dandenong, Narre Warren, Berwick and Hallam rail stations located along the line, together with associated improvements to infrastructure and facilities. These improvements were aimed at reducing the reliance on cars and establishing a better link between public transport facilities and commercial, residential and educational developments.

All works were completed in late 1995. Based on sample surveys undertaken both before and after completion of the works, the Public Transport Corporation has estimated that patronage of the rail line has increased by 30 per cent.

#### **Land release and development at Lyndhurst**

Development of the significant tracts of land held by the Urban Land Authority along the Cranbourne rail line was included in the Program as a means of encouraging higher density residential development in close proximity to available public transport.

The staged release of land by the Authority for subsequent private development is currently in progress.



*The new Dandenong Railway Station, which features a train, bus and taxi interchange.*

## **SOUTH-WEST AREA STRATEGY**

### **Public transport improvements (heavy rail)**

The project was geared towards improving the efficiency of the Werribee to Melbourne electrified rail service and the Geelong to Melbourne diesel rail service through enhancements to rail infrastructure, passenger cars, capacity and travelling times. A key aim was the reduction to the reliance on car usage through the improved public transport services.

All works on the rail line were completed in late 1995. The Public Transport Corporation will implement a new timetable in late 1996 to ensure a faster service on the rail lines.

### **Housing development (public and private) at Norlane, Geelong**

The key aim of the project was to demonstrate the potential for joint ventures with the private sector in redeveloping public housing estates, introduce medium density housing to the area and maximise usage of existing public transport.

The project involved the replacement of 88 inappropriate public housing dwellings with 160 private and public housing dwellings. The redevelopment was completed in 1995.

An initial post-occupancy evaluation of the project has revealed population density within the area has been maintained and appropriate housing has been made available for families with young children and single parent families.

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### **Australian Food Industry Science Centre, Werribee**

Further expansion of the facilities of the Australian Food Industry Science Centre at Werribee was a key project directed towards encouraging economic activity, employment opportunities and industry development in the area. The Centre provides a focus for research programs linking agricultural production to subsequent food processing and, in association with industry, aims to identify markets and develop appropriate products for these markets. In addition, the Centre assists in providing education to students in the agriculture sector and, on a commercial basis, makes its expertise and facilities available to the private sector.

Under the Program, the Australian Government provided \$18 million for the construction of new facilities for the Centre. These facilities, which were completed in September 1994, comprise an administration complex, and associated research facilities including a food processing centre, laboratories, engineering complex and a centre for use by clients.

### **Infrastructure works at Werribee Bio-Technology precinct**

In conjunction with the development of the Australian Food Industry Science Centre, a range of basic infrastructure works were undertaken in the Werribee Bio-Technology precinct, including improvements to roads and drainage.

The major objectives of these infrastructure works were to improve public and private access to the precinct. These works represent the initial stage of joint State and local government efforts to attract public and private sector facilities in to the precinct in order to maximise local job opportunities for people living in Werribee.

### **Geelong woolstores redevelopment: education facilities**

The project involved the redevelopment of a the former woolstores building for educational and commercial activities associated with Deakin University to revitalise retail, housing and commercial activity in this area of Geelong.

The project was completed in September 1996. The new facility incorporates a range of educational, administrative and leisure facilities, and now operates as the sixth campus of Deakin University.

### **Geelong transport interchange**

The project involved the construction of a bus port on the Geelong foreshore and in the vicinity of a tourist precinct and education facilities located in the woolstores redeveloped under the Program.

The opening of the bus port in July 1996 has contributed to a revitalisation of a previously derelict area and has re-oriented the Geelong central business district towards the bay area.



# Previous Special Reports of the Auditor-General

<i>Report number and title</i>	<i>Date issued</i>
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<b>2</b> Works Contracts Overview - Second Report	June 1983
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<b>42</b> Protecting Victoria's Children: The role of the Children's Court	not tabled
<b>43</b> Protecting Victoria's Children: The role of the Department of Human Services	June 1996
<b>44</b> Timeliness of Service Delivery: A customer's right	October 1996



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