



# Revitalising Central Dandenong





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Auditor-General

# Revitalising Central Dandenong

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VICTORIAN  
GOVERNMENT PRINTER  
May 2011



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The Hon. Bruce Atkinson MLC  
President  
Legislative Council  
Parliament House  
Melbourne

The Hon. Ken Smith MP  
Speaker  
Legislative Assembly  
Parliament House  
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on *Revitalising Central Dandenong*.

Yours faithfully



D D R PEARSON  
*Auditor-General*

4 May 2011



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# Audit summary

Revitalising Central Dandenong (RCD) is a \$290 million 16-year initiative to rejuvenate the Dandenong city centre. It started in 2005, and aims to establish central Dandenong as a thriving service hub, to attract over \$1.17 billion of private sector investment, and to grow the number of residents and businesses in the area. It also aims to improve the central city amenity, safety and infrastructure.

Dandenong was one of 13 Transit Cities projects under the 2002 policy *Melbourne 2030* which sought to curb the urban sprawl by focusing development around key transport centres. In 2008, it was reclassified as one of six Central Activity Districts (CAD) under the policy update, *Melbourne @ 5 million*.

RCD is the largest urban renewal project since the Docklands and is vital to the success of Dandenong as a CAD. The state's investment in RCD comprises almost \$50 million for two major projects and \$243 million to VicUrban over 16 years for land acquisition, infrastructure and other improvements. It also includes government initiated seed projects to stimulate activity in the CAD, and streamlined planning processes to assist development.

While VicUrban is delivering the project on the ground in partnership with other agencies, the Department of Planning and Community Development (the department) has primary responsibility for managing the CAD program and is accountable for the results of RCD. The department has a memorandum of understanding with VicUrban and both agencies sit on the project control group, which governs the project with a whole-of-government approach, and oversees, monitors and holds accountable all agencies involved.

This audit examined whether the RCD initiative is being managed effectively and whether governance arrangements support effective project delivery and cross-government coordination. It also reviewed whether the project is progressing as planned and if the intended outcomes are being achieved.

## Conclusions

While RCD has made notable progress since 2005, it has occurred in the absence of sufficiently clear, agreed and monitored performance standards. Without them, or an adequate evaluation framework, neither the department nor its project control group can effectively assess the performance of VicUrban and other agencies, or determine if RCD is on track to generate the benefits and outcomes for central Dandenong that the initiative intended.

The lack of sufficient performance standards and the weaknesses in project status reports have led the department and its project control group to focus mainly on monitoring physical projects, rather than the full range of activities contributing to RCD's social, economic and financial objectives. As a result, performance monitoring is problematic, and while VicUrban monitors RCD finances, the department is not rigorously overseeing the long-term financial management of RCD.

Cross-government collaboration occurs on RCD, but is not systematic or structured to promote accountability for actions. Therefore there is little assurance that the department and its project control group are reliably identifying, prioritising and effectively resolving blockages.

## Findings

### Progress to date

RCD has attracted more than \$285 million of private sector investment since 2005. A new Government Services Building is under construction, and over seven hectares of land were acquired in central Dandenong without major public opposition. Major infrastructure works, particularly Lonsdale Street and the George Street Bridge, were also largely completed during this period.

Data compiled by VicUrban's consultants since 2008 show a number of trends in central Dandenong since before RCD began against measures designed to monitor achievement of RCD objectives and benefits. Specifically, the number of residents has increased by 20 per cent since 2006, and the decline in employment evident between 1996 and 2004 has been reversed with approximately 400 new jobs added since 2005. Additionally, 500 new dwellings have been added since 2006, commercial floor space increased by 10 per cent between 2005 and 2009, and patronage of Dandenong station has increased by 30 per cent since 2006.

These trends are encouraging, however, further work is needed by the department and its project control group to establish clear and agreed performance standards to assist interpretation of the results.

As neither the department nor its project control group effectively monitor RCD against such standards, there is little assurance the progress to date is adequate or reflects what was intended.

For example, while it is positive that almost one-quarter of the target level of private sector investment has been achieved to date, most of the seed projects have experienced long delays, due mainly to inadequate cross-government coordination and support—factors largely beyond VicUrban's direct control. Thus, in the absence of clear performance standards it remains unclear if the result to date is optimum particularly given that the business case identified the seed projects as critical for attracting investment.

## Adequacy of governance arrangements

### Actions to address previous issues

Previous reviews of RCD have highlighted the need to improve governance arrangements, but the department's subsequent actions have not been effective.

In 2008 a Department of Treasury and Finance gateway review gave RCD a qualified green rating and recommended strengthening project governance. The review found that the Department of Planning and Community Development (the department) and VicUrban had worked collaboratively on RCD, but that the project objectives were ambitious given changed economic circumstances, and that action was needed to clarify project accountabilities.

These findings were consistent with a 2008 internal audit of the department's management of the Transit Cities program, which similarly recommended improving departmental project and program governance.

The department adopted the recommendations of both reviews, and has since clarified roles and responsibilities in a memorandum of understanding with VicUrban, and established a project control group as the main decision-making body for RCD. It also introduced standardised project and risk management reporting across all CAD projects to strengthen oversight.

However, key issues remain unresolved. Specifically, shortcomings in performance monitoring mean the department and its project control group cannot get an accurate understanding of RCD's progress. Further, while VicUrban does monitor RCD finances, the department and its project control group do not periodically assess the initiative's financial status against the business case, their cross-government coordination is inconsistent and lacks transparency, and the department's arrangements for progressively evaluating RCD's achievements have not been sufficiently developed.

Hence there is little evidence that the department's project control group effectively governs, directs and monitors RCD, or that the group or the department systematically monitor RCD's long-term objectives.

### Performance monitoring and accountability

The department is responsible for setting and monitoring performance standards for RCD, but has yet to develop them sufficiently.

RCD performance is to be measured against objectives in the business case, milestones in the master program, and changes to performance standards developed by the project control group. However, the content of the project status report does not adequately cover this information.

For example, the status report omits the measures for assessing progress towards achievement of RCD objectives because they have not yet been established by the department. Further, while some activities are monitored against milestones, the impact of variations is not sufficiently discussed. Changes to milestones are also not controlled, meaning there is insufficient assurance that activities are being assessed against appropriate standards.

Thus, while the project control group monitors RCD monthly, using project status reports, these are not sufficient to hold VicUrban and other RCD delivery agencies adequately to account.

### Financial management and oversight

VicUrban is required to offset 50 per cent of the state's \$243 million investment in RCD with revenue, mainly through land sales and by attracting sufficient private investment so the net cost to government is \$124 million over the life of the project.

VicUrban develops whole-of-life and five-year rolling forecasts of RCD revenue and expenditure which it adjusts annually taking into account the progress of projects, changes to future priorities and the requirement for the initiative to achieve a net cost to the state of \$124 million over its 16-year life. This analysis underpins requests to the department for annual allocations from the \$243 million RCD budget approved in 2006. However, the department has no progressive performance targets for RCD finances, and neither it, nor its project control group systematically monitor the project's financial status or its achievements against the whole-of-life financial objectives of the business case.

In addition, the department requires VicUrban to advise it only of the annual allocation amounts it requests from the approved RCD budget. The department, however, does not scrutinise the basis of VicUrban's requests to gain assurance they are soundly based and meet the financial objectives of the project.

Although VicUrban publicly reports on RCD finances annually, the information does not enable a whole-of-life assessment against the business case.

### Cross-government coordination

While there is cross-agency collaboration on RCD and CAD projects, it is not systematic or structured to promote accountability for actions. For example, agency roles and responsibilities for RCD and CADs are not clear, with the RCD education seed project failing in large part because the parties could not coordinate effectively to resolve a funding impasse.

A key role of the project control group is to govern and direct RCD through a whole of government approach and to provide support across government to achieve its implementation.

Additionally, a CAD Executive Management Group (EMG) was established in February 2010 comprising senior departmental representatives and is chaired by the department. The role of the EMG is to facilitate greater whole-of-government input to the development and delivery of the CAD program and to resolve cross-departmental blockages or problems that cannot otherwise be resolved.

However, the department does not require its project control group to report to other governance parties on issues needing collaboration, and there are no codified procedures, responsibilities and accountabilities for individual agencies to identify and resolve cross-agency blockages for RCD or CADs. Thus the means to resolving cross-departmental blockages and issues is not transparent and relies heavily on the vigilance of individual staff.

In 2010, the department began to clarify the role of all departments engaged in CADs. While positive, these actions are at an early stage and require further development. Specifically, the department needs to clarify accountabilities, reinforce them through government endorsement and monitor their operation. The department advised that it intends to refine and further progress this work in the latter half of 2011.

## Evaluating Revitalising Central Dandenong outcomes

The department has no agreed indicators or framework for evaluating RCD outcomes and benefits. The 2006 business case set the foundation for evaluation but it needed to be developed. The department has not yet done this, with the result that there is no benefits management plan for RCD. Thus it cannot monitor whether RCD is achieving the expected benefits.

Although not VicUrban's responsibility, it has started work on an evaluation framework which, being at an early stage, has not yet been endorsed by the project control group or the department. The framework seeks to understand progress in central Dandenong by monitoring a range of useful measures relating to investment, land use, employment, residents and perceptions. The measures are designed to monitor achievement of RCD objectives and benefits and VicUrban's consultants have compiled data against them since 2008, which show a number of trends in central Dandenong since before RCD began.

The framework represents an important initiative by VicUrban to fill a gap in the department's governance framework, but is not equivalent to a benefits management plan and has been developed without reference to such a plan.

The 2008 Department of Treasury of Finance gateway review recommended that a benefits management plan be developed for RCD. The review gave this recommendation an 'amber' rating meaning that action on the recommendation should have occurred before further key decisions were taken on the project. However, this recommendation has yet to be implemented by the Department of Planning and Community Development (the department) or its project control group.

Further, neither the department nor its project control group systematically monitor the measures against agreed performance standards designed to provide insights into whether RCD is on track to achieve its long-term objectives and benefits. Without such standards neither the department nor the project control can reliably assess the adequacy of RCD's progress to date.

The department drafted a monitoring framework for the CAD program which identified indicators to assess achievement of the proposed CAD objectives. The framework was endorsed by the EMG in 2010, however the CAD objectives are not equivalent to the RCD objectives and the CAD framework does not clarify how it will help assess RCD achievements.

In the absence of clear performance standards and a benefits management plan for RCD, there is little assurance that the department's and VicUrban's performance monitoring frameworks are sufficiently aligned.

The department advised it initiated a comprehensive review of VicUrban's and RCD's performance during our audit. The review is scheduled to be completed by June 2011 and seeks to examine progress against the objectives and benefits in the 2006 business case, including the extent to which planned outputs and outcomes have been achieved.

## Recommendations

Number	Recommendation	Page
1.	<p>That the Department of Planning and Community Development strengthen the governance arrangements for Revitalising Central Dandenong by:</p> <ul style="list-style-type: none"> <li>• establishing clear and agreed standards for progressively assessing performance of all critical Revitalising Central Dandenong activities in consultation with VicUrban and the project control group</li> <li>• reviewing and improving the design and content of its project status report so that it enables effective monitoring of activities and objectives</li> <li>• systematically reviewing its financial status and the basis of annual funding requests from VicUrban to determine whether they assure achievement of financial objectives</li> <li>• seeking assurance from the project control group that it effectively oversees performance and holds delivery agencies to account against agreed performance standards.</li> </ul>	18

## Recommendations – continued

Number	Recommendation	Page
2.	That the Department of Planning and Community Development strengthen cross-government coordination for Revitalising Central Dandenong and the Central Activities Districts program by: <ul style="list-style-type: none"> <li>• establishing clear procedures for all Central Activities Districts projects for identifying, reporting and resolving matters requiring cross-government action</li> <li>• further clarifying the roles and responsibilities of all agencies whose activities affect Revitalising Central Dandenong and the Central Activities Districts</li> <li>• establishing arrangements for systematically monitoring and reporting on the adequacy of cross-government coordination based on the above.</li> </ul>	18
3.	That the Department of Planning and Community Development in consultation with VicUrban and the project control group reliably evaluate and report on Revitalising Central Dandenong achievements by: <ul style="list-style-type: none"> <li>• developing performance indicators, targets and baseline measures for progressively assessing achievement of objectives</li> <li>• developing a benefits management plan to measure and monitor achievement of the benefits</li> <li>• regularly monitoring and reporting publicly on the achievements against the above measures.</li> </ul>	23

## Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Planning and Community Development, VicUrban and the City of Greater Dandenong with a request for submissions or comments.

The City of Greater Dandenong acknowledged the request, and elected not to make a submission. Submissions were received from the Department of Planning and Community Development and VicUrban.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. Their full section 16(3) submissions and comments however, are included in Appendix A.





# 1 Background

## 1.1 The challenge for Dandenong

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The City of Greater Dandenong is located in the heart of Melbourne's growing south-east region, and is close to the largest manufacturing base in Victoria. With a diverse multicultural population of about 134 000 residents, 5 500 employing businesses and 74 000 jobs, it has a long history of contributing to the economic development of the state.

Central Dandenong is strategically located close to road and rail infrastructure, and is a centre for government, health and education services, and retail and transport services.

Over the last 20 years, driven by a number of social and economic challenges, central Dandenong has experienced urban decline. It has slower population growth, higher unemployment rates and generally lower incomes than the average for metropolitan Melbourne. Neighbouring competition for retail sales and entertainment, along with ageing housing stock, traffic and amenity concerns have contributed to reduced activity and investment in the city centre.

Central Dandenong's capacity to attract investment has also been affected by the lack of suitably sized parcels of land, poor integration of the train station with the central business district, and the fragmented office and retail space dispersed along opposite sides of the city's main traffic thoroughfare, Lonsdale Street.

These longstanding issues pose significant challenges to the future economic development of central Dandenong.

### Previous initiatives to address the challenge

The Dandenong Development Board was set up in 2002 to improve social and economic outcomes for greater Dandenong, and to help revitalise the central business district. Board members from state agencies, the City of Greater Dandenong and local businesses worked on projects to improve traffic management, urban design, mobility and the amenity of central Dandenong.

After the Revitalising Central Dandenong (RCD) initiative was unveiled in 2005 with VicUrban as the lead delivery agency, the board refocused its activities on improving social and economic outcomes for greater Dandenong. The board was dissolved in mid-2010.

## 1.2 The Revitalising Central Dandenong initiative

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### 1.2.1 Background

RCD is a 16-year, \$290 million initiative to rejuvenate the Dandenong city centre. It is being delivered by VicUrban in partnership with the City of Greater Dandenong and other agencies.

It was announced in September 2005 as one of 13 projects under the former Transit Cities program—a key initiative of the *Melbourne 2030* policy, which aimed to curb urban sprawl by focusing higher-density mixed-use development around key transport nodes.

RCD is a significant investment and intervention by the state designed to help central Dandenong overcome its challenges. It covers about 170 hectares of land designated as a 'declared project' under Section 34 of the *Victorian Urban Development Authority Act 2003*. As the development authority within the declared area, VicUrban can exercise powers that include acquiring land compulsorily or by private treaty, levying an infrastructure recovery charge for new development, opening and closing roads, and imposing conditions and/or restrictions on land use.

The state's investment in RCD comprises allocations of:

- \$243 million to VicUrban over 16 years, being approximately:
  - \$82 million for land acquisition within central Dandenong
  - \$161 million for new infrastructure, changes to traffic conditions, improved pedestrian access, the creation of better public spaces, development attraction and project development and delivery
- \$29.5 million to VicRoads to build the George Street Bridge (now known as Stockman's Bridge)
- \$19 million towards the fit-out of a new Government Services Building under construction by a private developer.

According to the RCD business case, the state contribution of \$243 million to VicUrban is to be offset by a return to the government of approximately \$119.5 million comprising:

- \$44.5 million from land sales
- \$54.2 million from the Infrastructure Recovery Charge
- \$20.8 million from VicUrban's hypothecated profit (in the form of state dividend).

### 1.2.2 Objectives and benefits

The RCD business case was approved in 2006 and states that the initiative aims to revitalise central Dandenong, and to achieve the objectives of the *Melbourne 2030* policy for the south-east region.

*Melbourne 2030* was released in 2002 as the long-term plan for managing Melbourne's growth and development. It identified nine directions covering a range of social, economic and environmental objectives.

Specific RCD objectives identified in the 2006 business case are to:

- attract over \$1.17 billion of private sector investment and new development in central Dandenong as a stimulus for the revitalisation
- establish central Dandenong as a thriving service and economic hub for the south-east growth corridor
- strengthen central Dandenong's capacity to sustain long-term growth by expanding opportunities for residential and commercial development in the centre, and by improving the physical infrastructure
- improve the overall amenity of the urban environment and strengthen the capacity of the city to respond to longstanding economic and social issues affecting the image and liveability of Dandenong.

The RCD Urban Master Plan was released in 2007 following community consultation. It seeks to implement the shared vision for the future of central Dandenong identified by the project partners in consultation with the community in April 2006. The plan outlines initiatives to improve local traffic and transport systems, increase the supply of housing, expand the local economy and stimulate employment over the next 15 to 20 years. Consistent with the RCD business case, the plan estimates that the revitalisation will help create up to 5 000 new jobs, 4 000 new homes, and will attract significant private sector development.

### 1.2.3 Relationship to statewide planning initiatives

In December 2008, the state's *Melbourne 2030* policy was updated with the release of *Melbourne @ 5 million*. Dandenong was named as one of six new Central Activities Districts (CAD) to be the focus of job growth and public investment. The update replaced the Transit Cities program with the CAD program.

It also indicated CADs were to deliver significant outcomes including:

- central business district-type jobs and services
- a diverse retail sector
- significant opportunities for housing redevelopment
- high accessibility to public transport
- vibrant centres of community activity.

The state's metropolitan planning policy is now under review as a result of the change of government following the November 2010 state election. Notwithstanding this, RCD is the largest urban renewal initiatives since the Docklands and is critical to the success of Dandenong as a CAD.

### 1.2.4 Roles and responsibilities

In December 2009, a memorandum of understanding was signed by the Department of Planning and Community Development (the department) and VicUrban clarifying roles and responsibilities for RCD. These are outlined below in Figure 1A.

**Figure 1A**  
**Revitalising Central Dandenong roles and responsibilities**

Role	Responsibilities
<b>Minister for Planning</b>	Accountable through the department for RCD outcomes.
<b>Department of Planning and Community Development (the department)</b>	Responsible for setting policy for CADs, engaging with other government departments and central agencies to achieve RCD outcomes and government policy objectives, and for defining and monitoring RCD performance standards.
<b>Project control group</b>	Responsible for achieving RCD outcomes, governing the RCD initiative through a whole-of-government approach, and for overseeing, monitoring and holding accountable all working groups and agencies with direct delivery responsibility.  Chaired by the department, the project control group has representatives from VicUrban, the Department of Transport, the City of Greater Dandenong and VicRoads.
<b>VicUrban</b>	Responsible for project managing and delivering RCD within the time, budget and scope agreed with the project control group. It is also responsible for: <ul style="list-style-type: none"> <li>• reporting on project delivery and related issues to the department</li> <li>• coordinating communications in partnership with the department</li> <li>• administering program expenditure and funding</li> <li>• delivering on desired outcomes and performance standards.</li> </ul>

*Source:* Victorian Auditor-General's Office based on information provided by the Department of Planning and Community Development.

## 1.2.5 Revitalising Central Dandenong strategies and projects

Urban renewal is a complex process requiring extensive consultation and a keen understanding of how to reverse long-term adverse trends and perceptions. Accordingly, the 2006 RCD business case adopted the following strategies:

- **Creation of a shared vision and stakeholder support**—working with the council and community to develop a shared vision for the urban design and development strategy for central Dandenong. It resulted in the 2007 Urban Master Plan which identified the major infrastructure projects and high-level time frames.
- **Planning certainty**—essential for gaining private sector confidence and participation in the RCD initiative. To streamline planning, the Minister for Planning became the Responsible Authority for the declared area, and a one-stop-shop in central Dandenong was set up to advise and assist prospective developers.
- **Land acquisition and timely delivery of critical infrastructure**—the acquisition and amalgamation of sites within the CAD, that were needed for infrastructure improvements and to produce parcels for private sector development and seed projects.
- **Seed projects**—public sector seed projects were identified as critical in attracting the target level of private sector investment. They were seen as important for demonstrating the state's commitment and for the critical mass of development needed to assure the CAD's viability to private sector developers.

The complexity and scale of RCD meant that extensive consultation on the business case was not possible prior to its approval in 2006. Consequently the nature and timing of the projects were indicative only. The projects in RCD were clarified after public consultation and are outlined in Figure 1B.

**Figure 1B**  
**Overview of Revitalising Central Dandenong projects**

Project name	Description
<b>Land projects</b>	
Land acquisition	Acquire seven hectares of land (170 individual titles) to facilitate public infrastructure works and redevelopment activities.
<b>Infrastructure projects</b>	
Lonsdale Street	Upgrade and realign to improve the flow and accessibility for pedestrians, cyclists and vehicles. Includes traffic calming and greening.
City Street and Station North Plaza	Connect the station and Lonsdale Street directly. Designed as a pedestrian priority street accommodating curb side retailing and dining. It includes development of Station North Plaza.
Station North Upgrade and Realignment Project	Improve the street network to the north of the station for amenity, safety, traffic circulation and bus movements.
Mason Street Extension Bus Routes	Short-term works to ensure the smooth operation of buses and the bus interchange.
<b>Seed projects</b>	
Government Services Building	Create a new five star, green-star rated Government Services Building to co-locate four government departments' regional services in central Dandenong.
Education Precinct	Establish a campus style education and learning precinct to stimulate people activity and to bring safety, vitality, and new demands for retail and leisure services to Dandenong.
Council Office/ Civic Precinct	Create a new civic heart with a regional library, civic customer service facilities, council chambers, a regional gallery, 'black box' theatre and civic plaza.
Health care facility	Create a community based health care facility.
<b>Related projects (not managed by VicUrban)</b>	
George Street Bridge (Stockman's Bridge)	VicRoads' construction of a new bridge to improve links between the south and west areas of Dandenong. A stand-alone project on behalf of the City of Greater Dandenong, monitored by RCD due to the interface with the Station North Upgrade and Realignment Project and Dandenong Station Transit Interchange.
Dandenong Station Transit Interchange	Department of Transport improvement to existing Dandenong Station Transit Interchange. Monitored by RCD due to interface with Station North Upgrade and Realignment Project and developments adjoining the station.

Source: Victorian Auditor-General's Office based on information provided by VicUrban.

## 1.3 Progress of the initiative to date

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RCD has made notable progress since 2005, including:

- VicUrban's purchase and consolidation of seven hectares of land in central Dandenong without major public opposition
- streamlined planning processes, and the one-stop-shop in Dandenong to support prospective developers
- achieving a shared vision with the council and community through consultation in April 2006 that guided development of the 2007 Urban Master Plan for central Dandenong
- delivery of infrastructure works, including the boulevarding of Lonsdale Street, improvements to the configuration of other streets in central Dandenong, and the design and start of the Station North Plaza/City Street project
- construction of Stockman's Bridge as a new entry into central Dandenong
- building a new five star, green-star rated Government Services Building to co-locate government services in central Dandenong
- attracting more than \$285 million of private sector investment in central Dandenong against the 16-year target of \$1.17 billion.

## 1.4 Audit objectives and scope

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The objective of the audit was to determine whether the RCD initiative is being managed effectively by assessing whether the:

- governance arrangements for RCD support effective project delivery, and cross-government coordination
- RCD initiative is progressively achieving its intended outcomes.

The scope of the audit included an examination of VicUrban's management of RCD projects and initiatives, and the Department of Planning and Community Development's oversight of RCD and the CAD program. The period under review was 2005–10.

## 1.5 Method and cost

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The audit was undertaken in accordance with Australian Auditing and Assurance Standards.

The cost was \$395 000 including printing.

## 1.6 Report structure

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The report is structured as follows:

- Part 2 examines governance, accountability and oversight
- Part 3 examines the evaluation of Revitalising Central Dandenong.

# 2 Governance, accountability and oversight

## At a glance

### Background

Revitalising Central Dandenong (RCD) is a complex, long-term urban renewal initiative whose success depends on effective project delivery by VicUrban and stakeholder coordination by the Department of Planning and Community Development (the department). Hence, sound governance arrangements by the department to promote effective oversight, management, and cross-agency coordination are critical.

### Conclusion

The department's governance arrangements for RCD are not effective. Notable progress by VicUrban since 2005 is evident, but it has been adversely affected by weaknesses in cross-government coordination and has occurred in the absence of clear performance standards. Neither the department nor the project control group effectively monitor RCD or hold delivery agencies to account. This, together with weaknesses in the department's financial oversight, have reduced assurance RCD will achieve its aims.

### Findings

- Although the department acted on recommendations to improve governance of RCD, implementation has not been effective.
- Weaknesses with the department's project status reports inhibit the project control group's capacity to effectively monitor the project.
- VicUrban monitors RCD's whole-of-life financial status. But as the department has no interim performance targets, neither it nor the project control group can progressively assess whether RCD is on track to achieve its financial objectives.
- Cross-government collaboration occurs on RCD, but it is not structured or guided by documented procedures and there is little assurance it is always effective.

### Recommendations

That the department strengthen:

- governance of RCD by establishing clear performance standards and more rigorous monitoring and oversight of projects
- cross-government coordination for RCD and the Central Activities Districts program by establishing clear procedures for identifying and resolving blockages.

## 2.1 Introduction

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Revitalising Central Dandenong (RCD) is a complex initiative comprising many projects over several budget cycles. Its success depends heavily on effective planning and delivery, but also on collaboration between stakeholders such as state departments and authorities, the City of Greater Dandenong, the community, local businesses and developers.

RCD's long-term nature means it needs to be flexible and responsive to emerging opportunities and challenges. This requires the Department of Planning and Community Development (the department) and VicUrban to effectively monitor current activities against clear performance standards and progressively assess their impact. It also requires effective stakeholder coordination and timely action to address emerging issues.

However challenging, these tasks are critical for assessing and refining existing strategies, appropriately informing future actions, and assuring RCD stays on course to achieve its long-term objectives. They are also essential attributes of good governance.

In this section, we review the department's governance arrangements to determine whether:

- responsibilities for project delivery and oversight, including cross-government coordination, were clear and effectively implemented
- the performance monitoring arrangements for RCD and VicUrban assure accountability
- RCD has sound financial management and oversight.

## 2.2 Conclusion

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While RCD has made notable progress since 2005, it has occurred in the absence of sufficiently clear, agreed and monitored performance standards by which the department and the project control group can assess the adequacy of progress to date, or appropriately hold VicUrban and other delivery agencies to account.

Further, shortcomings in the design and content of the department's project status reports mean they do not provide the department or the project control group with an adequate understanding of the status of key projects, emerging issues, and of the financial status of RCD and its related projects. Although VicUrban actively manages these issues, weaknesses in the presentation of the department's status reports mean that it and its project control group are not in a position to effectively monitor the project and the performance of VicUrban and other agencies.

The department does not periodically assess RCD's financial status relative to the business case, or sufficiently scrutinise VicUrban's requests for annual funding allocations, including its performance in meeting RCD cost-recovery targets. Hence, the department has little assurance RCD will meet all its financial objectives.



While there is cross-agency collaboration on RCD projects, it is not systematic or structured. The department's arrangements for resolving cross-department blockages and issues are largely informal, lack transparency and depend heavily on the vigilance of individual staff. This does not promote accountability for actions, or offer sufficient assurance that blockages and issues are reliably identified, prioritised and resolved.

## 2.3 Roles and responsibilities

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Previous reviews identified the need for the department to strengthen its governance arrangements for RCD. The department addressed these issues but did not effectively implement the improvements. This has resulted in inadequate oversight of RCD, reduced accountability for deliverables and outcomes, and weaknesses in cross-government coordination.

The Department of Treasury and Finance did a gateway review of RCD in 2008. The review gave RCD a qualified green rating for project management, but this did not extend to assuring the project was on track to achieve its objectives. It found that RCD's objectives were ambitious given changed economic circumstances, and that although VicUrban and the department had worked collaboratively on RCD they needed to clarify accountabilities.

The review found that the responsible parties' rights, obligations and duties were not clear, that there was little documentation on their roles, and no obvious decision-making forum. It concluded that the structure had led to inadequate cross-government coordination which had resulted in delays, frustration and increased risk to achieving objectives. The review recommended that the department clarify relationships, set up a central decision-making body, remove duplication in the working groups and sign a memorandum of understanding (MOU) with VicUrban detailing these arrangements.

These findings were similar to the department's 2008 internal audit of its former Transit Cities program, which then included RCD. It recommended the department codify its approach to program and project management, and strengthen risk management, including financial and benefits management. The audit scope focused on the department's management of the program and did not include VicUrban.

In acting on the recommendations the department:

- introduced a project management framework for all projects in Central Activities Districts (CAD) in 2008 that defined project status reporting and risk management
- signed a partnership agreement with the Department of Transport in 2009 clarifying governance of the CAD program
- signed an MOU with VicUrban in 2009 detailing RCD roles and responsibilities
- set up a project control group in 2009 as the main RCD decision-making body
- rationalised RCD working groups, and developed terms of reference for each.

Although positive, the actions were not effectively implemented. Project status reports are insufficient and do not permit effective monitoring, and the department's financial oversight of RCD has been inadequate. The project control group has not become the robust decision-making forum intended. While VicUrban monitors RCD's whole-of-life finances and overall progress, there is little evidence the project control group effectively governs, directs and monitors RCD or that it or the department sufficiently consider RCD's long-term objectives.

Further, although cross-government coordination occurs on RCD, it is neither consistent nor systematic, which has adversely affected the success of seed projects.

These issues are discussed in more detail in the next sections.

## 2.4 Performance monitoring and accountability

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### Limitations of project status reports

The department's project control group monitors RCD progress by reviewing VicUrban's monthly project status reports. The department developed the format of this report, but it does not permit an adequate assessment of RCD's, VicUrban's and other agencies' performance.

The MOU identifies the department as responsible for setting and monitoring performance standards and requires RCD's performance to be measured against:

- objectives in business cases
- project milestones in the RCD master program
- changes to performance standards developed by the project control group.

However, project status reports do not comprehensively cover this information, and are limited by their focus on current infrastructure projects.

RCD involves many activities other than infrastructure projects, such as marketing and investment attraction, support to prospective developers, consultation, master planning and development of seed projects. VicUrban manages aspects of these activities, but they are also dependent on input from the department and its effective coordination with other agencies. However, the department has not set performance standards for these activities and does not adequately monitor them.

Other weaknesses of the department's project status report include:

- insufficient information on project delays to determine their effect on the initiative
- no control over changes to baselines thus reducing assurance that monitoring occurs against appropriate standards
- risk reporting being limited to an arbitrarily determined 'top five' risks
- VicUrban not being required to report on its analysis of RCD's long-term financial status.

## Oversight by the project control group

A key role of the project control group is to monitor and address high-level risks to delivery, and to hold accountable all agencies with direct delivery responsibility. However, the group does not do this systematically.

The group's meeting agenda includes the project status report, but there is little evidence it uses the reports to hold VicUrban and other delivery agencies to account.

Meeting minutes indicate that the report is noted, and that the project control group considers matters raised by VicUrban. However, the group's discussions are not adequately documented and its actions are not evident when completion dates for addressing risks are missed. The department advised that key issues from the report are discussed at meetings and that this is reflected in the agenda. However, an agenda is not equivalent to the minutes of a meeting and thus does not provide sufficient assurance that important matters are sufficiently discussed and appropriate actions are taken.

This, along with weaknesses in the project status report, mean there is little assurance the group effectively oversees RCD and holds VicUrban and other delivery agencies to account.

## Progress of key Revitalising Central Dandenong projects

### *Land assembly and infrastructure projects*

VicUrban actively manages and monitors the progress of its land assembly and infrastructure projects. Some RCD projects are ahead of schedule, including key land acquisitions and road works that were finished 12 to 42 months early. Other completion dates have slipped from 10 to 29 months against the business case. This is due mainly to factors beyond the control of VicUrban, such as the need to coordinate with related projects, and requirements arising from consultations.

The complexity and scale of RCD meant that extensive consultation with stakeholders on the business case was not possible prior to its approval in 2006. As a result, the nature of the projects it outlined was indicative only.

The RCD Urban Master Plan was released in 2007 following wider consultation, which led to further clarity on the timing and scope of agreed infrastructure projects. This approach was reasonable given the importance of stakeholder support for the initiative's success.

Both the master plan and business case emphasise the importance of early delivery of critical infrastructure and seed projects as a way of demonstrating that change is occurring, building stakeholder confidence, and attracting private sector investment. Although some infrastructure projects are late, most are almost finished and VicUrban has mitigated delays by bringing forward other projects.

### *Seed projects*

The delays in the seed projects, however, are much longer and present more significant risks. The business case identified public sector seed projects as vital for demonstrating the state's commitment to RCD, and for achieving a critical mass of development necessary to generate private sector investment. Intended for delivery in the initial phases of the project, most have yet to start.

The projects of greatest potential and relevance for central Dandenong were:

- an education and training precinct in the city centre to stimulate people activity, demand for services and housing, and to improve safety
- a government services precinct in the city centre to anchor commercial users
- a new municipal head office and library
- the consolidation or relocation of health facilities into central Dandenong.

Of these, only the government services precinct project is under way. A business case for relocating the municipal head office has yet to be developed and there is no current health or education seed project.

Work on the health project began in 2009, but it did not proceed as agencies prioritised other projects. Similarly efforts in 2008–09 to develop a business case for the education project did not succeed because stakeholders could not coordinate effectively to resolve a funding impasse.

The delays to date are significant, and are linked to weaknesses in cross-government coordination and support. The delays risk leading to higher construction costs, delays in attracting private sector investment and under-use of new supporting infrastructure. VicUrban has recently activated sites next to areas earmarked for seed projects which, in the short term, will help mitigate some of these effects. However, ongoing delays with seed projects will increasingly pose a major risk to meeting RCD objectives.

## 2.5 Cross-government coordination

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### Cross-government coordination in Revitalising Central Dandenong

Cross-government collaboration occurs on RCD, but it is not guided by documented procedures and there is little evidence it is consistently effective.

A key role of the project control group is to govern and direct RCD through a whole-of-government approach and to provide support across government to ensure its implementation.

Additionally, a CAD Executive Management Group (EMG) was established in February 2010 comprising senior departmental representatives and is chaired by the department. The role of the EMG is to facilitate greater whole-of-government input to the development and delivery of the CAD program and to resolve cross-departmental blockages or problems that cannot be resolved elsewhere. The department does not require its project control group to report to the EMG on matters it considers require cross-government action. Additionally, there are no codified procedures, responsibilities and accountabilities for individual agencies to identify and resolve cross-agency blockages for RCD or CADs. Thus, actions are largely ad hoc, informal, lack transparency and depend heavily on the vigilance of individual staff. This does not systematically promote accountability, or provide sufficient assurance that important issues are being identified and effectively resolved.

Figure 2A summarises the challenges in the education seed project, and highlights a key deficiency in cross-government coordination to date. The government services building seed project presents an example of good collaboration between agencies and is outlined in Figure 2B.

**Figure 2A**  
**The Education Seed Project**

The RCD business case identified developing an education precinct near the station as a key catalytic project intended to act as a 'people activity' generator. It was also seen as needed to expand activities in the CAD, particularly near the station, to improve its attractiveness to developers, and to help service Dandenong's industrial base.

The then Department of Industry, Innovation and Regional Development (DIIRD) and VicUrban developed a business case for a six star education facility immediately north of the train station during the 2008–09 Budget process. The business case recommended the \$33.83 million facility be owned by the state and occupied by Chisholm's School of Business and Management.

The proposal was not endorsed as further work was required on the business case to explore opportunities for the private sector to fund the construction and Chisholm to occupy the building under a lease agreement. The Departments of Treasury and Finance (DTF), and Premier and Cabinet considered private sector funding would be more cost effective.

A second business case was prepared in September 2008 analysing the 'leasing' versus 'government owned' option, showing the latter as more favourable from a financial perspective. However, further advice on the preferred procurement option was sought as DTF maintained its view that the leasing option was more cost effective.

Negotiations between DTF, DIIRD, VicUrban and the department continued until early 2009, but were unsuccessful as they could not agree on the preferred procurement option.

A key reason for the impasse was Chisholm's unwillingness to commit to DTF's leasing option based on modelling which showed it to be unsustainable. However, despite being a principal stakeholder, Chisholm was not directly involved in the negotiations, and was unclear whether DTF adequately understood the financial implications of the leasing option for Chisholm.

VicUrban is working on developing an alternative education seed project by 2011.

The failure of the parties to resolve this impasse highlights the consequences of poor cross-government coordination, as well as the need to strengthen joined-up arrangements for the CAD program.

*Source:* Victorian Auditor-General's Office.

**Figure 2B**  
**Government Services Building Seed Project**

The RCD business case saw government tenancies as essential to RCD's success. It proposed up to 20 000 square metres of new office space for government departments in central Dandenong.

In 2007, a business case for a new Government Services Building was developed, with the Department of Human Services as the anchor tenant. The Department of Justice became the second anchor tenant and the Department of Education and Early Childhood Development also showed interest. An interdepartmental committee was set up in 2007 comprising the interested departments, central agencies, VicUrban and the Department of Planning and Community Development to formulate and ensure support for the business case. Once developed, the business case was progressed to approval through the various agencies.

In 2008–09 funding was approved for a long-term lease for four government tenants in a new A-grade, minimum five star green-rated building, with 14 000 square metres net leasable area. VicUrban then started a multi-stage public bid process that was coordinated by a project control group comprising the interested departments, VicUrban, WorkSafe and DTF. The contract was successfully let and construction has begun.

Source: Victorian Auditor-General's Office.

### Cross-government coordination in Central Activities Districts

The department developed a briefing in 2009 stating the CAD program, of which RCD is a component, needed effective coordination of government resources and strategic plans, and that up to then cooperation between land use and transport agencies had not been sufficient.

It also noted that the long-term success of the CAD program depended on greater engagement with other departments and agencies because decisions on the location of government offices, social housing, health and tertiary education facilities could significantly affect the development of particular areas.

The CAD Executive Management Group was set up in early 2010 to improve cross-government coordination for the CAD program. Activities to date include:

- a whole-of-government stock take of activity and investment in CADs
- clarifying and increasing departmental and agency roles in achieving the vision for CADs
- developing a strategy for coordinating and prioritising future investments in CADs to act as long-term plans for CAD objectives.

These initiatives are positive but at an early stage. For example, high-level descriptors of agency roles in contributing to CADs were developed, however, specific agency responsibilities and accountabilities for resolving cross-agency blockages have not yet been identified. They need to be further developed and effectively implemented. The department advised that it intends to refine and further progress this work in the latter half of 2011.

## 2.6 Financial management and oversight

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### 2.6.1 Overview of Revitalising Central Dandenong's financial status

The department funds VicUrban in annual allocations from the \$243 million total budget approved in 2006. VicUrban is to offset 50 per cent of the cost to the state with revenue from land sales, an infrastructure recovery charge and hypothecated profit.

The infrastructure recovery charge was established under the *Victorian Urban Development Authority Act 2003* and applies to all private sector projects in the declared area. It is currently set at 5 per cent of the development value. The hypothecated profit is a 9 per cent profit margin of funds appropriated to VicUrban, which VicUrban returns to the state as an annual dividend.

Figure 2C summarises RCD financial results and forecasts to completion. Total VicUrban project expenditure is now estimated at \$270 million, with the approved state budget component remaining at \$243 million. The forecast net cost to the state remains at \$124 million, as the revised budget assumes almost \$146 million in revenues will be received over the life of the project. VicUrban forecasts, based on modelling from consultants, that the \$27 million difference between total expenditure and the approved state budget will be funded by higher revenue from land sales, the infrastructure recovery charge, rent and interest from that estimated in the RCD business case.

Of the estimated \$27 million in additional expenditure, the department has already endorsed \$5.5 million of spending by VicUrban on critical works not covered by the 2006 business case from RCD revenues already received. However, it is not evident that the department has scrutinised and endorsed VicUrban's basis of the estimated \$21.5 million in remaining additional spending, or that it has gained sufficient assurance the additional revenues will be sufficient to cover it.

The department advised that VicUrban's updated forecast of RCD whole-of-life expenditure is a preliminary estimate and subject to the department's future approval.

**Figure 2C**  
**Summary of actual and projected Revitalising Central Dandenong**  
**revenue and expenditure (\$'000)**

<b>Expenditure</b>	<b>2005–06</b>	<b>2006–07</b>	<b>2007–08</b>	<b>2008–09</b>	<b>2009–10</b>	<b>2010–21</b>	<b>Total</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>	
Land acquisition		15 649	51 102	26 503	675	8 789	102 718
Revitalisation of Lonsdale Street		798	1 471	4 346	17 479	6 966	31 060
City Street			641	893	1 418	11 222	14 174
Station Plaza			631	881	1 103	5 693	8 308
Other roads			1 014	1 568	5 521	4 472	12 575
Development projects		949	1 008	1 359	1 519	22 565	27 400
Project implementation		728	2 086	2 863	2 194	15 051	22 922
Planning and placemaking	3 091	2 269	2 400	2 781	1 677	17 464	29 682
Hypothecated profit margin	309	2 815	5 431	3 707	2 662	5 867	20 791
<b>Total expenditure</b>	<b>3 400</b>	<b>23 208</b>	<b>65 784</b>	<b>44 901</b>	<b>34 248</b>	<b>98 089</b>	<b>269 630</b>
Hypothecated profit	309	2 815	5 431	3 707	2 662	5 867	20 791
Income from land sales				(1 587)	1 373	55 357	55 143
Infrastructure recovery charge		759	41	262	275	58 084	59 421
Income from rent and interest			1 443	2 210	1 755	4 886	10 294
<b>Total revenue</b>	<b>309</b>	<b>3 574</b>	<b>6 915</b>	<b>4 592</b>	<b>6 065</b>	<b>124 194</b>	<b>145 649</b>
<b>Net cost to government</b>	<b>3 091</b>	<b>19 634</b>	<b>58 869</b>	<b>40 309</b>	<b>28 183</b>	<b>(26 105)</b>	<b>123 981</b>

Source: Victorian Auditor-General's Office based on information provided by VicUrban.

## 2.6.2 Oversight of VicUrban's financial management

### Annual allocations from the 2006 Revitalising Central Dandenong budget

The department's scrutiny of VicUrban's requests for annual allocations is inadequate to provide assurance that expenditure within any given year supports the aims of the business case.

It was understood at the time of the RCD business case that the forecast expenditure and revenue for any given year could change due to variables such as changes in strategy, economic conditions, and factors beyond VicUrban's control. Consequently VicUrban agrees its budgets with the department before each financial year.

At the department's request, VicUrban emails the department its annual allocation request as an aggregate sum that is set by its RCD team. However, the department does not require VicUrban to submit the rationale and/or assumptions supporting VicUrban's request, including how it reflects current strategies and economic conditions, or how it supports the financial objectives of the business case. While VicUrban does consider these factors in determining its annual requirement, the department's scrutiny of the request is minimal, which means it has little comfort that allocations to VicUrban support RCD's financial aims.



Figure 2D sets out the funding allocation to VicUrban for each year since 2005–06.

**Figure 2D**  
**Government funding to VicUrban for Revitalising Central Dandenong**  
**from 2005–06 to 2010–11 (\$)**

	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11	Total
Asset (land)	2 570 000	11 230 361	30 385 139	5 535 048	1 160 181	941 719	51 822 448
Operating (land)		9 281 918	34 750 016	2 610 322	484 069	1 084 240	48 210 566
Operating		5 576 023	10 048 531	31 056 404	24 080 313	11 628 098	82 389 369
<b>Total</b>	<b>2 570 000</b>	<b>26 088 302</b>	<b>75 183 686</b>	<b>39 201 774</b>	<b>25 724 563</b>	<b>13 654 057</b>	<b>182 422 382</b>

Source: Victorian Auditor-General's Office based on information provided by VicUrban.

### Monitoring and reporting on financial objectives

The duration of the RCD initiative may affect the original financial assumptions and the initiative's net cost to the state.

As the department is accountable, it needs to continuously monitor RCD financial assumptions in consultation with VicUrban to assure timely action can be taken to adjust strategies where needed, to meet RCD cost recovery objectives.

VicUrban develops whole-of-life and five-year rolling forecasts of RCD revenue and expenditure which it adjusts annually taking into account the progress of projects, changes to future priorities and the requirement for the initiative to achieve a net cost to the state of \$124 million over its 16-year life. However, with no interim performance targets for finances linked to the RCD business case, neither the department nor its project control group can effectively monitor RCD's financial status or determine if RCD is on track to achieve its financial objectives.

The long-term nature of RCD means that most of the revenues will be received post the initial stages and following delivery of key infrastructure and seed projects. However, as there are no interim performance standards, it is not possible for the department or its project control group to assess the adequacy of revenues to date, or to determine how they have been affected by events beyond VicUrban's control such as delays with seed projects.

Figure 2E shows that one-third of the way through the initiative, a total of about \$22 million, 15 per cent of the revised 16-year revenue target of \$145.6 million, has been received.

**Figure 2E**  
**Summary of Revitalising Central Dandenong**  
**revenues received from 2005 to 2010 (\$'000s)**

Revenue	Business case target	Revised target <sup>(a)</sup>	Actual to date
Hypothecated profit	20 792	20 792	14 926
Net income from land sales <sup>(b)</sup>	44 445	55 143	213 <sup>(c)</sup>
Infrastructure recovery charge	54 228	59 421	1 338
Income from rent and interest	–	10 294	5 407
<b>Totals</b>	<b>119 465</b>	<b>145 650</b>	<b>21 833</b>

(a) Based on VicUrban's forecast, including modelling from its consultants.

(b) Derived after deducting the total remediation, demolition and servicing costs applicable to around one-third of the RCD land sales area from the gross land sales income received to date.

(c) Reflects net income received by VicUrban to date from the sale of 3.5 per cent of the available land sales area.

Source: Victorian Auditor-General's Office based on information provided by VicUrban.

VicUrban reports on the finances of the RCD project annually. However this does not permit assessment of RCD's financial status against the business case objectives. Such public reporting would enhance the transparency and accountability of RCD and VicUrban's performance.

## Recommendations

1. That the Department of Planning and Community Development strengthen the governance arrangements for Revitalising Central Dandenong by:
  - establishing clear and agreed standards for progressively assessing performance of all critical Revitalising Central Dandenong activities in consultation with VicUrban and the project control group
  - reviewing and improving the design and content of its project status report so that it enables effective monitoring of activities and objectives
  - systematically reviewing its financial status and the basis of annual funding requests from VicUrban to determine whether they assure achievement of financial objectives
  - seeking assurance from the project control group that it effectively oversees performance and holds delivery agencies to account against agreed performance standards.
2. That the Department of Planning and Community Development strengthen cross-government coordination for Revitalising Central Dandenong and the Central Activities Districts program by:
  - establishing clear procedures for all Central Activities Districts projects for identifying, reporting and resolving matters requiring cross-government action
  - further clarifying the roles and responsibilities of all agencies whose activities affect Revitalising Central Dandenong and the Central Activities Districts
  - establishing arrangements for systematically monitoring and reporting on the adequacy of cross-government coordination based on the above.

# 3 Evaluating Revitalising Central Dandenong

## At a glance

### Background

Revitalising Central Dandenong (RCD) aims to transform Dandenong's urban form, local economy and social conditions through many projects and strategies over almost two decades. It is necessary to regularly evaluate these projects and strategies to discern progress towards achieving the planned aims and benefits, and to accommodate changing social and economic circumstances.

### Conclusion

Although notable progress since 2005 is evident, there is little assurance that RCD is progressing sufficiently to meet the initiative's longer-term objectives and intended benefits, because the Department of Planning and Community Development (the department) has not yet developed a robust evaluation framework and does not systematically monitor RCD. The department, however, recently began a comprehensive review of RCD to be completed by June 2011.

### Findings

- The department has no agreed indicators, targets, or baselines including methods for systematically monitoring and reporting on RCD achievements.
- There is no benefits management plan for RCD.
- VicUrban has developed a draft framework for evaluating RCD achievements against the business case, but there is insufficient assurance it can give adequate insight into progress on RCD objectives and benefits.
- The department has developed a draft monitoring framework for the Central Activities District program, but there is little assurance it will help assess RCD achievements.

### Recommendation

That the department and VicUrban establish a comprehensive framework to reliably and regularly evaluate and report on the effectiveness of RCD.

## 3.1 Introduction

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Revitalising Central Dandenong (RCD) is a 16-year initiative with economic, social and financial objectives. For a project of such duration many of the assumptions made at the start can change. Thus it is essential to regularly evaluate the impact of projects on the initiative's objectives and adjust the strategy as needed.

## 3.2 Conclusion

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The Department of Planning and Community Development (the department) cannot assure that RCD is progressing as planned, or that it is likely to meet its social, economic and financial aims. As it does not have the means to robustly evaluate project performance, the department is unable to effectively discharge its responsibility to track RCD's progress against its objectives. The department has recently begun action to address this issue.

## 3.3 Evaluating progress towards objectives

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The 2006 RCD business case states that the RCD initiative aims to revitalise central Dandenong, and to achieve the objectives of the *Melbourne 2030* policy for the south-east region.

The success of RCD is to be measured against the objectives in the business cases and those agreed with the project control group, but the department has not yet set performance indicators for assessing these objectives. The 2006 RCD business case stated that the department was developing the indicators with stakeholders, and it outlined example indicators being considered.

Specific RCD objectives identified in the 2006 business case are:

- to attract over \$1.17 billion of private sector investment and new development in central Dandenong as a stimulus for the revitalisation
- to establish central Dandenong as a thriving service and economic hub for the south-east growth corridor
- to strengthen central Dandenong's capacity to sustain long-term growth by expanding residential and commercial development in the centre, and by improving the physical infrastructure
- to improve the overall amenity of the urban environment and strengthen the capacity of the city to respond to longstanding economic and social issues affecting the image and liveability of Dandenong.

These objectives are complex and developing appropriate performance indicators is challenging. Nevertheless, to date, the department has no agreed indicators, targets or baselines, including methods for systematically monitoring and reporting achievements against them more than five years after the initiative commenced.

The 2006 RCD business case also identifies benefits sought from the revitalisation of Dandenong such as:

- \$1.17 billion of private sector investment
- 4 000 new homes
- 83 700 square metres of new and replacement commercial space and 49 800 square metres of new and replacement retail space
- 5 000 new jobs and more workers
- more residents and shoppers
- better social connections and access to social services
- reduced crime and improved perceptions of safety.

These intended benefits are clear and readily lend themselves to measuring performance.

Although not its responsibility, VicUrban has developed interim performance indicators and a draft evaluation framework. The department and its project control group reviewed the framework in September 2010 but have yet to endorse it. The framework seeks to understand progress in central Dandenong by monitoring a range of useful measures relating to investment, land use, employment, residents and perceptions.

The measures are designed to monitor achievement of RCD objectives and benefits and VicUrban's consultants have compiled data against them since 2008, which show a number of trends in central Dandenong since before RCD began. However, the measures have been developed without reference to a benefits management plan and are not monitored by the department or project control group against agreed performance standards designed to provide insights into whether RCD is on track to achieve its long-term objectives and benefits. Without such standards neither the department nor its project control group can reliably assess the adequacy of RCD's progress to date.

The 2008 gateway review recommended that a benefits management plan be developed for RCD. The review gave this recommendation an 'amber' rating meaning that action on the recommendation should have occurred before further key decisions were taken on the project. It is evident, however, that this recommendation was not implemented by the department.

Consequently, there is insufficient assurance the framework adequately measures progress against all RCD objectives and benefits. Notwithstanding these limitations, the following trends and perceptions were noted in a report produced by VicUrban's consultants in December 2010:

- Between 2005 and 2010 the declared area has reversed the downward trend in employment evident between 1996 and 2004 and has added 400 jobs.
- Office/commercial floor space increased by 10 932 square metres between 2005 and 2009 (10 per cent).
- Between 2006 and 2010 the estimated resident population of the declared area increased by 800 people (20 per cent).
- Patronage at Dandenong station is up over 30 per cent since 2006.
- Ninety-one per cent of Dandenong residents in 2009 reported having a positive view of the area, with access to services identified as a key 'like'.
- The number of residential dwellings in central Dandenong increased by 500 (27 per cent) since 2006, and high density dwellings increased almost sixfold between 2004–05 and 2009–10 with average unit prices below the Melbourne average.

In addition to these metrics, VicUrban closely monitors the level of private sector investment in central Dandenong, which in December 2010 was approximately \$285 million against the 16-year business case target of \$1.17 billion.

These trends are encouraging, however, further work is needed by the department and its project control group to establish clear and agreed performance standards to assist interpretation of the results.

For example, while it is positive that almost one-quarter of the target level of private sector investment has been achieved to date, it remains unclear in the absence of clear performance standards if the result to date is optimum particularly given the significant delays experienced with the seed projects which the business case identified as critical for attracting investment. As noted in Part 2 of this report, these delays have been outside the direct control of VicUrban.

The department has also developed a draft monitoring framework for the Central Activities District (CAD) program which has been endorsed by the CAD Executive Management Group. The proposed framework identifies draft indicators to assess achievement of the proposed CAD objectives. However, they differ from RCD objectives and the CAD framework does not clarify how it will help assess RCD achievements.

Hence, in the absence of such clarification, including clear performance standards and a benefits management plan for RCD, there is little assurance that the department's and VicUrban's performance monitoring frameworks are sufficiently aligned.

During this audit the department advised it began a comprehensive project and financial review of RCD's performance, to be completed by June 2011. It will examine progress against the objectives and benefits in the 2006 business case, including how far planned outputs and outcomes have been achieved.

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## Recommendation

3. That the Department of Planning and Community Development in consultation with VicUrban and the project control group reliably evaluate and report on Revitalising Central Dandenong achievements by:
    - developing performance indicators, targets and baseline measures for progressively assessing achievement of objectives
    - developing a benefits management plan to measure and monitor achievement of the benefits
    - regularly monitoring and reporting publicly on the achievements against the above measures.
-





# Appendix A.

## *Audit Act 1994* section 16— submissions and comments

### Introduction

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In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Planning and Community Development, VicUrban and the City of Greater Dandenong with a request for submissions or comments.

The City of Greater Dandenong acknowledged the request, and elected not to make a submission. Submissions were received from the Department of Planning and Community Development and VicUrban.

The submissions and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

## Submissions and comments received

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**RESPONSE** provided by the Secretary, Department of Planning and Community Development



**Department of Planning and Community Development**

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Ref CSEC002572

Mr D D R Pearson  
Auditor-General  
Victorian Auditor-General's Office  
Level 24, 35 Collins Street  
MELBOURNE VIC 3000

Dear Mr Pearson

**AUDIT ACT 1994, S16(3) - PROPOSED AUDIT REPORT  
REVITALISING CENTRAL DANDENONG**

Thank you for your letter of 6 April 2011 enclosing the proposed report for tabling in Parliament on the Performance Audit of Revitalising Central Dandenong.

The Department's response to the report is attached.

Should you have any questions in relation to this response, please contact Stephen Gregory, Director Urban Development on (03) 8644 8845.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Y Blacher'.

**Yehudi Blacher  
SECRETARY**

Enc.



**RESPONSE provided by Secretary, Department of Planning and Community Development – continued**

**VICTORIAN AUDITOR-GENERAL'S  
Revitalising Central Dandenong  
PERFORMANCE AUDIT**

**Department of Planning and Community Development  
RESPONSE**

The Department of Planning and Community Development (the Department) acknowledges that while the project is progressing well the governance over the project has not been ideal since its inception. Since 2008, a number of department-initiated reviews have occurred, resulting in improvements in governance. The Auditor-General's report raises issues with key reports and information that should be formalised by the Project Control Group. While improved governance actions are being implemented it is acknowledged that the level of documentation and reporting can be improved to give greater confidence in the governing process. Since October 2010, the Department has implemented a process improvement project to be completed by June 2011. The new processes will be audited in 2011 to ensure that all the issues raised by the Auditor-General have been addressed and reporting and monitoring requirement improvements are in place. In relation to specific issues raised within the report, the following comments are provided.

**Adequacy of governance arrangements**

The Project Control Group meets monthly to review progress and is comprised of senior representatives from all delivery agencies and the Council. In addition to this, regular meetings are held between the Department and VicUrban to discuss project delivery issues. The roles and accountabilities are documented in the individual Terms of Reference and project plans. A detailed master schedule is provided to all Project Control Group members on a monthly basis to monitor performance. These governance arrangements will be strengthened in light of the Auditor-General's review.

**Performance monitoring and accountability**

An agreed set of performance standards for Revitalising Central Dandenong was reviewed by the Project Control Group in September 2010 and has since been formally approved (April 2011). Performance data has been collected since 2007, with three individual reports prepared, and will be the basis of future performance assessment. There is a strong alignment between the measurement of Revitalising Central Dandenong and its performance and other similar projects, with the measurement of economic, environmental and social indicators along with physical outputs as the basis of the monitoring. These performance standards measure performance across five key objectives – employment, housing, investment, transport and quality of place. The measures are designed to monitor the achievement of benefits which will be measured over time.

While not required to develop a benefits management plan when the original business case was developed, the Department and VicUrban will work together to establish one in the next 6 months.

CSEC002572

**RESPONSE provided by the Acting Chief Executive Officer, VicUrban**



710 Collins Street  
Docklands 3008 Australia  
GPO Box 2428  
Melbourne Victoria 3001 Australia  
Telephone +61 3 8317 3400  
Facsimile +61 3 8317 3666  
www.vicurban.com

TRIM: 11/31972

19 April 2011

Mr D D R Pearson  
Auditor-General  
Level 24  
35 Collins Street  
MELBOURNE VIC 3000

Dear Mr Pearson

**Revitalising Central Dandenong Performance Audit Response**

Thank you for your letter of 6 April 2011, and the opportunity to respond to the proposed Revitalising Central Dandenong (RCD) Performance Audit Report.

The proposed RCD Performance Audit Report has been reviewed and VicUrban's comments for inclusion in the Report are attached.

As requested, a copy of our comments has also been emailed to Steven Vlahos.

Yours sincerely

A handwritten signature in black ink, appearing to be "S. Sangster", written over a horizontal line.

**SAM SANGSTER**  
Acting Chief Executive Officer

cc: **Mr Dominic Arcaro, General Manger Urban Revitalisation**  
**Mr Steven Vlahos, Director Performance Audit**



ASN 61 868 774 623

**RESPONSE provided by the Acting Chief Executive Officer, VicUrban –  
continued**

**VICTORIAN AUDITOR-GENERAL'S  
Revitalising Central Dandenong  
PERFORMANCE AUDIT**

**VicUrban  
RESPONSE**

VicUrban looks forward to working with the Department of Planning and Community Development (Department) and other Departments and Agencies to implement the recommendations of the Performance Audit Report.

While not wishing to down play VAGO's findings regarding the formal governance arrangements for the RCD initiative and, in particular, those recommendations directed at more effective whole of government arrangements for the RCD initiative (and the Activities Areas program more generally), the findings should not be confused with or overshadow the progress that has occurred in central Dandenong due to the efforts of all parties involved in the RCD initiative.

The performance standards originally reviewed by the Project Control Group in September 2010 were formally approved by the Project Control Group in April 2011. The performance standards:

- (a) relate to RCD business case key performance indicators in areas such as private sector investment, land use (housing, commercial, retail), population, employment and public transport;
- (b) incorporate data that pre-dates the commencement of the RCD initiative; and
- (c) as described in the Performance Audit Report, have been collected and reported upon by VicUrban through its consultants and shows positive results for central Dandenong since the RCD initiative commenced.

For information purposes, private sector investment in central Dandenong to the end of March 2011 has risen to in excess of \$297m (up from \$285m to the end of December 2010 as reported in the Performance Audit Report).











# Auditor-General's reports

## Reports tabled during 2010–11

Report title	Date tabled
Portfolio Departments: Interim Results of the 2009–10 Audits (2010–11:1)	July 2010
Taking Action on Problem Gambling (2010–11:2)	July 2010
Local Government: Interim Results of the 2009–10 Audits (2010–11:3)	August 2010
Water Entities: Interim Results of the 2009–10 Audits (2010–11:4)	August 2010
Public Hospitals: Interim Results of the 2009–10 Audits (2010–11:5)	September 2010
Business Continuity Management in Local Government (2010–11:6)	September 2010
Sustainable Farm Families Program (2010–11:7)	September 2010
Delivery of NURSE-ON-CALL (2010–11:8)	September 2010
Management of Prison Accommodation Using Public Private Partnerships (2010–11:9)	September 2010
Soil Health Management (2010–11:10)	October 2010
Sustainable Management of Victoria's Groundwater Resources (2010–11:11)	October 2010
The Department of Human Services' Role in Emergency Recovery (2010–11:12)	October 2010
Access to Ambulance Services (2010–11:13)	October 2010
Management of the Freight Network (2010–11:14)	October 2010
Security of Infrastructure Control Systems for Water and Transport (2010–11:15)	October 2010
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2009–10 (2010–11:16)	October 2010
Restricting Environmental Flows during Water Shortages (2010–11:17)	October 2010
Victorian Registration and Qualifications Authority (2010–11:18)	October 2010
Acquittal Report: Results of the 2009–10 Audits (2010–11:19)	February 2011
Effectiveness of Victims of Crime Programs (2010–11:20)	February 2011
Motorcycle and Scooter Safety Programs (2010–11:21)	February 2011

Report title	Date tabled
Construction of Police Stations and Courthouses (2010–11:22)	February 2011
Environmental Management of Marine Protected Areas (2010–11:23)	March 2011
Managing Drug and Alcohol Prevention and Treatment Services (2010–11:24)	March 2011
Local Community Transport Services: the Transport Connections program (2010–11:25)	March 2011
Effectiveness of Small Business Victoria's Support Programs (2010–11:26)	March 2011
Facilitating Renewable Energy Development (2010–11:27)	April 2011
Problem-Solving Approaches to Justice (2010–11:28)	April 2011
Managing Student Safety (2010–11:29)	May 2011

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# VAGO

Victorian Auditor-General's Office

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