

Case study:

Melbourne Arts Precinct Transformation Project Phase One

February 2025



Melbourne Arts Precinct Transformation Project Phase One

The Melbourne Arts Precinct Transformation Project Phase One is upgrading facilities in and around Arts Centre Melbourne's Theatres Building and the surrounding precinct.

The works include constructing The Fox: NGV Contemporary gallery, and establishing a new urban garden, to be called Laak Boorndap, that will traverse and link the arts precinct.

Figure 1: Artist's aerial impression of the Melbourne Arts Precinct Transformation Project Phase One when complete



Source: Melbourne Arts Precinct Corporation.

Key project data

2024–25 BP4 project name:	Melbourne Arts Precinct Transformation Phase One
Previous reporting name:	N/A
Project lifecycle phase:	In delivery/under construction
Financial year when first disclosed:	2021–22 (project was first funded in the 2020–21 budget, but no BP4 was tabled in that financial year)
Current approved cost (TEI):	\$1.57 billion
Original approved cost (TEI):	\$1.41 billion
Cost variance analysis:	Increased by 11.35% (\$0.16 billion)
Expected completion date:	Quarter 2 2028–29
Original completion date:	Quarter 2 2028–29
Time variance analysis:	No variance
Responsible BP4 entity:	Melbourne Arts Precinct Corporation (MAP Co)
Delivery entity:	Development Victoria (DV)
Approval authority:	Minister for Creative Industries, Treasurer

Note: BP4 is Budget Paper 4: State Capital Program. TEI stands for total estimated investment.

Project summary

Project description and purpose	<p>The Melbourne Arts Precinct Transformation (MAPT) Project Phase One aims to provide a flagship offering for contemporary art and design in Melbourne.</p> <p>The MAPT project started in 2022 and has 4 components:</p> <ul style="list-style-type: none">• The Fox: NGV Contemporary, which is a new dedicated gallery for contemporary art and design to be completed by 2028• maintenance works at Arts Centre Melbourne (ACM). This includes refurbishing the State Theatre building, extending the basement and doing critical maintenance. The theatre is ageing, which impacts visitor experience, safety and operational efficiency• Laak Boorndap, a new public garden, to be completed by 2028, giving 18,000 square metres of new and renewed public space and supporting infrastructure. This aims to revitalise the arts precinct and better connect existing facilities• upgraded shared services infrastructure, which will supply power and other services to the new gallery and whole precinct.
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Project status

Red, amber and green (RAG) status

The criteria we used for this RAG assessment can be found at the end of this case study.

Figure 2: Entity self-assessment compared to VAGO assessment

	Scope	Cost	Time	Benefits
Entity self-assessment	Amber	Amber	Green	Amber
VAGO assessment	Amber	Amber	Green	Amber

Note: Entity self-assessments were made in the specific project survey. VAGO agrees with the entity assessment ratings. Source: VAGO.

Cost, time and scope performance

MAPT Phase One is on track. There are no significant scope, time, cost or benefits changes to what has been publicly reported.

Scope options have been managed through a value management interactive process with senior stakeholders to reduce potential cost overruns.

Risks and emerging pressures



The overall MAPT project is technically complex. It also exists within a complex stakeholder interface and delivery environment, involving many partner agencies and other key stakeholders within the precinct and across government.

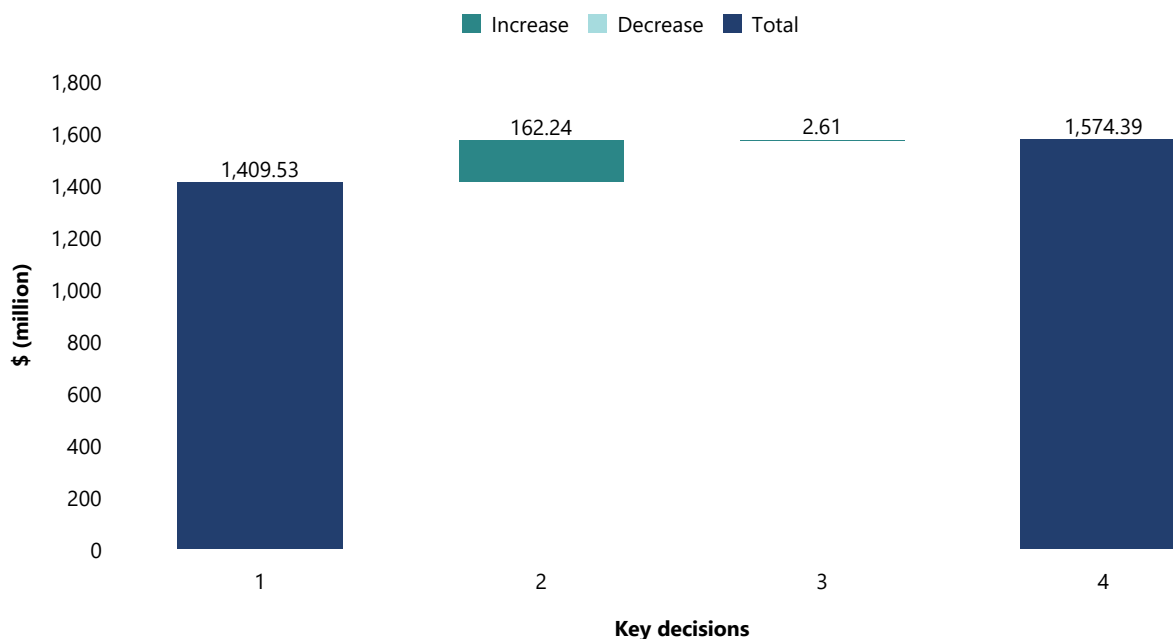
Phase One has some exposure to rising costs. This risk means that MAP Co may not be able to manage public-facing commitments within scope and cost.

Another risk is that philanthropy targets may not be met, so the state's capital costs may not be offset by donations, as expected.

Other pressures MAPT is facing include:

- challenges around the precinct's engineering and construction
- materials shortages
- rising rates for materials, labour and transportation
- many complex and unique attributes of the buildings and facilities in the precinct
- lower risk appetite among contractors
- uncertainty within the subcontractor market and construction supply chain.

Figure 3: Budget changes to MAPT Phase One



Legend

Key decision	Date and detail
1	2021–22 BP4: original TEI, MAPT was originally funded in the 2020–21 Budget but there was no BP4 published for that year
2	2022–23 BP4: TEI increased due to an expanded scope totalling \$162.24 million, which includes the roll-in of another previously funded project for renewal of the State Theatre and public realm and associated works
3	2023–24 BP4: TEI increased due to reclassification of \$2.61 million to capital expenditure from operating expenditure. Estimated completion date listed as quarter 2 2028–29
4	2024–25 BP4: current TEI

Source: VAGO.

Variance analysis

The current approved TEI for the project is \$1.57 billion compared to an original \$1.41 billion. The \$0.16 billion upwards change in TEI was due to the government’s decision to expand the scope of works and roll-in a previously approved project for refurbishment works at the State Theatre as well as other public realm and associated works.

Impacts of scope and other changes

While there has been an increase in TEI due to additional scope, there has been no other significant change. Based on current forecasts for scope, time and costs, MAP Co told us there are no scope changes that would impact expected benefits.

Key funding stakeholders

Stakeholders

The Victorian Government is the main project funder.

There has been substantial philanthropic funding committed to the project. These philanthropic funds offset the capital costs that the state would otherwise have to pay to deliver the project.

The Fox family pledged \$100 million in April 2022 to support the new NGV Contemporary gallery and received naming rights after this donation.

The Ian Potter Foundation donated \$20 million in 2020 towards building the new gallery, and \$15 million in 2024 to refurbishing the State Theatre.

According to MAP Co data, the National Gallery of Victoria (NGV) has a target to contribute further philanthropic donations. Arts Centre Melbourne also has a target to raise and contribute donations.

Project benefits

Benefits

The MAPT benefit management plan (BMP) has been incorporated into the project's detailed implementation plan. This plan outlines key performance indicators and associated evaluation methods. Most will only be measurable after project delivery and will rely on available public data sources, such as annual reports.

According to MAP Co's self-assessment in our project survey, project benefits measurement systems are immature, and data collection related to project benefits described in the business case, investment logic map (ILM) or BMP is not reliable.

MAP Co told us that a scheduled 2024–25 benefits management plan update with project partners will better reflect expanded or evolving benefits over time. VAGO suggests that this update should review the type of data that would be needed to assess benefits achievement and from where that data would be most appropriately sourced.

MAP Co could also improve clarity around which agency will measure the medium to longer-term benefits expected after project delivery. The expected economic benefits stated in the rationale for the investment will need a measurement approach that allows for specific attribution and linkage to the capital investment.

Governance and assurance

Governance and assurance

The MAPT governance and assurance environments are well-described. The project controls plan, prepared by DV, outlines key program controls and processes.

MAP Co has established a First Peoples Committee and there is evidence that it engaged with traditional owners in precinct design, especially the proposed gardens.

There is also a Design Excellence Committee chaired by the Victorian Government Architect. This committee's membership is independent of consent authorities, such as the Department of Energy, Environment and Climate Action and the City of Melbourne, and is a parallel process to the design approval process.

The formal governance structure includes a bimonthly project steering committee and MAP Co board meetings (focusing on scope and budget), as well as ministerial endorsement and Treasurer approvals as required (such as for gateway review process reports and central contingency drawdown).

The MAPT program memorandum of understanding executed in March 2023 sets out DV, MAP Co, the Department of Jobs, Skills, Industry and Regions, Arts Centre Melbourne and NGV roles.

DV contracts expert reviewers as part of its design and verification processes, which is detailed in the project management plan.

Assurance mechanisms and various reviewers' roles and responsibilities are well-described. MAPT has followed the Department of Treasury and Finance's high value high risk requirements and actively participates in gateway reviews and other assurance activities.

Procurement approach

Managing contractor model

MAPT is using a managing contractor for one package and a 2-stage approach for the other key project procurement. MAPT north has works underway and contracted with Lendlease. MAP Co is currently evaluating tenders for MAPT south, which is the largest construction package.

MAP Co modified the MAPT north and south procurement approach from the initially expected novated design and construct with competitive early contractor involvement model to a 2-stage managing contractor approach.

MAP Co told us that the procurement model change was driven by significant inherent project risks in the construction market at the time. There was also some uncertainty related to aspects of the State Theatre component, such as latent conditions and heritage matters.

These procurement model changes were made after considering market conditions and market feedback from confirmed bidders, recommendations from a development and efficiency review workshop and external legal reviews. This change was endorsed by the project control groups and project steering committee and approved by the MAP Co board.

This decision was also examined in a gateway review, endorsed by the relevant minister and approved by the Treasurer prior to its release to market.

Better practice and lessons learnt

Better practice

Better practice examples identified in external gateway review reports include:

- extensively using subject matter expert advice while developing the scope, schedule, risks and budget in the tender process
- flexibility in adjusting the proposed procurement approach in response to deteriorating market conditions
- a comprehensive design issues register.

MAP Co told us its approach to consultation and engagement with First Peoples was meaningful and set a high standard that other public infrastructure projects could emulate.

Aunty Gail Smith, an Elder representing the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation recently bestowed the name Laak Boorndap (which means heaven's beauty) to the new urban garden.

MAP Co has a program-wide lessons learnt register that has been developed to capture issues or achievements experienced at any point in the project that could be referenced for providing future guidance and learning opportunities. At the end of key milestones, MAP Co said it encourages directors and senior managers to share lessons learnt with relevant project teams to promote continuous improvement and prevent recurring issues.

Lessons learnt have been formally recorded from the northern package and were used to refine the procurement strategy for the southern package.

RAG rating definitions

Rating	Scope	Cost	Time	Benefits
Red	Current approved project scope is at risk and requires action and a decision by the government	Project is likely to be more than 20% over its current approved budget	Project is likely to be more than 6 months behind its current approved schedule	Project benefits measurement systems are not in place and baseline and progress data for project benefits described in the business case, ILM or BMP is not available
Amber	Scope risks are emerging but are being managed and no action or decision is required by the government at this point in time	Project is likely to be 11–20% over its current approved budget	Project is likely to be 4–6 months behind its approved schedule	Project benefits measurement systems are immature and baseline and progress data for project benefits described in the business case, ILM or BMP is unreliable
Green	Current approved project scope is clear and can be delivered within budget and schedule	Project is likely to be 0–10% over its current approved budget	Project is likely to be 0–3 months behind its current approved schedule	Project benefits measurement systems are well developed and baseline and progress data for project benefits described in the business case, ILM or BMP is reliable and up to date
N/A				There are no tangible or measurable benefits specified in the project's business case or objective(s)

Source: VAGO.