STREAMLINING FOR GROWTH EVALUATION FRAMEWORK

IMPACT EVALUATION FRAMEWORK REPORT

FINAL

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C O N T E N T S

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1

INTRODUCTION

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The Streamlining for Growth (SfG) Program is administered by the Victorian Planning Authority (VPA). The Program was established in early 2016 as a one-year post-Precinct Structure Plans (PSP) approvals program providing targeted funding and resourcing assistance to Growth Area Councils. Its objective was, broadly, to speed up the release of land for housing and employment purposes.

Following on from its success, in February 2017 it was extended for a further three years. This brought the total investment in the SfG Program to $24 million over four years.

In establishing the SfG Program, several performance measures and indicators were discussed. However, a formal evaluation framework to assess Program impacts was not developed at that time.

In 2018, VPA commissioned ACIL Allen Consulting (ACIL Allen) to:

— develop an evaluation framework for the SfG Program
— use it to quantify the SfG Program's economic impact.

The evaluation framework is described in this report. This report builds on initial framework concepts and feedback obtained from the Context Report[1]. The evaluation framework incorporates a variety of indicators used to measure the SfG Program's inputs, outputs and outcomes. A key element of the framework is the 'Development Chain', which comprises a six-stage process of creating serviced housing lots, starting with the establishment of a municipal strategic plan.

By applying the evaluation framework, we estimate that the value of the time savings to which the SfG Program has contributed is of the order of $170 – 210 million. This indicates a benefit-cost ratio of approximately 8:1 to date and that the SfG program has produced significant benefits[2]. Around one-third of the estimated benefit comes from SfG projects aimed at improving the post-Precinct Structure Plan (PSP) stages of the Development Chain.

There are important qualifications to this estimate. In particular, we emphasise that: the estimate is inherently imprecise; it depends on a number of technical assumptions including the average size of subdivisions and rezoning, the estimated time savings from SfG projects and the profile of uplift in land values over the course of the Development Chain; and it is sensitive to the mix and type of council and SfG project.

That said, we also note the SfG Program has delivered many other benefits which have been included in a qualitative discussion. These include employment brought forward and improvement to housing affordability.

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[1] The final version of the Context Report was delivered to the VPA on the 27th of February, 2019. The VPA circulated the report to multiple stakeholders including the Department of Environment, Land, Water and Planning and the Department of Treasury and Finance.
[2] These figures are based on data collated at a point in time. Since initial data collation, additional projects have been approved. The costs and benefits of these additional projects have not been included in this report.

The evaluation framework and model can be used by the VPA on an ongoing basis to report progress and impacts of the SfG Program to the Department of Environment, Land, Water and Planning (DELWP) and the Department of Treasury and Finance (DTF).

This report is structured as follows:

— Chapter 2 provides an overview of the SfG Program. It discusses its objectives, activities and streams and provides a summary of the SfG Program's progress to date.

— Chapter 3 introduces the 'Development Chain'. The chapter discusses the SfG Program's involvement in each stage and how the Development Chain has been used to aid impact measurement. It sets out the valuation model and its assumptions.

— Chapter 4 introduces the 'council streams' and explains the patterns of planning issues and the different mix of benefits derived from participating councils within each stream.

— Chapter 5 sets out a framework and indicators for identifying and valuing impact resulting from the SfG Program.

— Chapter 6 presents the findings from the impact evaluation framework.

THE STREAMLINING FOR GROWTH PROGRAM

2

This chapter begins with an overview of the SfG Program. It then summarises:

— program objectivities, activities and streams
— the current state of play
— stakeholder views regarding the SfG Program.

2.1 Program overview

The SfG Program was established in early 2016 as a one-year program focused on improving the post-PSP process for Growth Area Councils by providing targeted funding and resourcing assistance from the VPA.

The initial focus was on streamlining the post-PSP phase to reduce the time and cost of delivering housing lots and bring forward consequent employment in construction and home building. This was in response to sustained concerns from the private development industry about inefficiencies, costs and delays in gaining approval for, and building, sub-divisions.

The SfG Program was extended for a further three years in February 2017, bringing the total Program investment to $24 million over four years. The extended investment was accompanied by a substantial expansion in scope. The SfG Program provided resources to strategic planning and zoning improvement projects, whilst retaining a focus in post-PSP processes. Furthermore, eligible councils extended well beyond the initial Growth Area Councils. A sub-program for regional councils (including PSPs and elements of master planning) and for metropolitan councils was established.

To date, expenditure on fixing gaps in strategic planning and in completing Local Planning Policy Frameworks has far outweighed the spending on improving the post-PSP processes.

2.2 Program objectives, activities and streams

The aims of the SfG Program are as follows[3]:

— in regional councils to:
  – build council capacity through grants and assistance
  – ensure a land supply pipeline to facilitate regional growth
  – implement Regional Growth Plans
  – undertake master planning for strategic sites

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[3] Source: Victorian Government 2019, Streamlining for Growth, https://vpa.vic.gov.au/streamlining-for-growth-program/, Accessed 16 January 2019.

— in metropolitan councils to:
  – streamline post-PSP subdivision approvals processes by cutting red tape and investing in new technology
  – provide strategic planning backlog support in greenfield growth areas to accelerate land delivery
  – provide strategic planning support for Councils in established areas, to clear backlogs that help unlock brownfield and strategic development sites

The activities under the SfG Program include[4]:

— planning support:
  – technical studies
  – master planning
  – precinct structure planning
  – project resourcing
— efficiencies and streamlining:
  – process efficiencies and improvements reviews
  – effective functional layout plans
  – better use of bonds
— technology improvements:
  – information access
  – online monitoring
  – permit condition management
  – digitisation
— project facilitation
  – priority paid services
  – accredited consultants
  – unblocking facilitation.

2.3 State of play

The SfG Program is in its third year of operation. To date, it has supported or continues to support 169 projects.[5,6] Of these projects:

— 50 started in 2016-17
— 65 started in 2017-18
— 54 started in 2018-19.

As displayed in Figure 2.1, the SfG Program was budgeted to deliver $14.7 million in funds in the 2016-17 to 2018-19 period (excluding management and administration costs). FY2018-19 was allocated the largest portion of total budgeted funds (and council contribution).

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[4] Source: Victorian Government n.d., Streamlining for Growth 2016/17 Funding Report, https://vpa-web.s3.amazonaws.com/wp-content/uploads/2018/03/Streamlining-For-Growth-Program-201617-Funding-Report-2.pdf, Accessed 16 January 2019.
[5] Excluding projects with zero funding.
[6] The data supporting this report was collated at a point in time. Since initial data collation, another 19 projects have been approved in the 2018-19 funding round, bringing total projects funded to 188 projects. The report provides analysis on the initial 169 projects.

FIGURE 2.1 SFG PROGRAM FUNDING (2016-17 TO 2018-19)
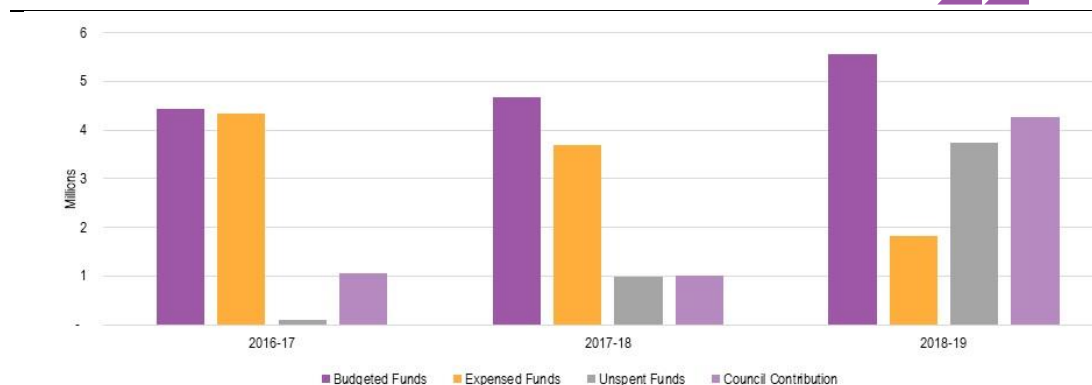
Note: Management and administration budgeted costs amount to $4.0 million for the FY2016-19 period.
This chart includes one incomplete and discontinued project (budget: $69,275; expenditure: $69,275).
SOURCE: ACIL ALLEN analysis of VPA data

The SfG Program supports councils across metropolitan, metropolitan growth and regional councils. Though the way it has been used by these 'streams' of councils differ as discussed in Chapter 4.

For the period 2016-17 to 2018-19, regional councils received around 47 per cent of SfG funding as shown in Figure 2.2.

FIGURE 2.2 SFG FUNDING ALLOCATION BY STREAM (2016-17 TO 2018-19)
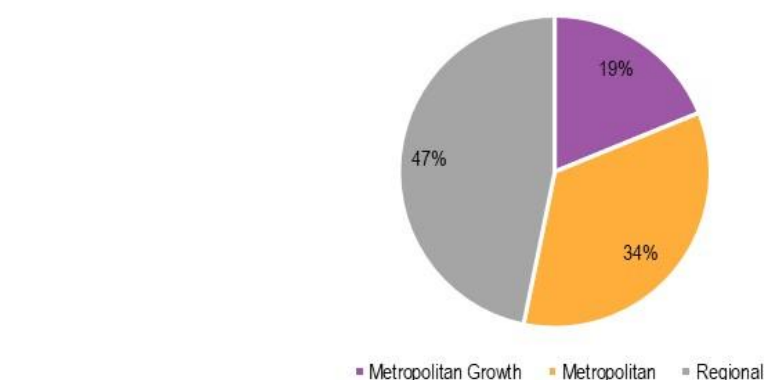
Note: This chart shows 'expensed' funding allocation by stream – that is, budget allocation which has been expensed (or delivered to a project).
This chart includes one incomplete and discontinued project (within the metropolitan stream).
SOURCE: ACIL ALLEN analysis of VPA data

Funds delivered to a project may take the form of a grant, assistance from VPA staff or assistance from VPA consultants. As per Figure 2.3, grants were the most common form of funds delivery for the 2016-17 to 2018-19 period.

FIGURE 2.3   SFG FUNDING BY PROJECT ASSISTANCE TYPE (2016-17 TO 2018-19)
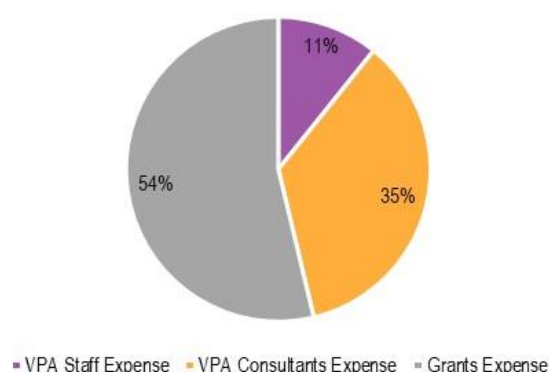
Note: This chart shows 'expensed' funding allocation by project assistance type – that is, budget allocation which has been expensed (or delivered to a project). This chart includes one incomplete and discontinued project ($69,275 expensed on VPA consultants).

SOURCE: ACIL ALLEN analysis of VPA data

2.4 Stakeholders' views

As part of this evaluation, members of the ACIL Allen project team undertook consultations with a range of stakeholders. Stakeholder consultations were principally undertaken over the period 24 January 2019 to 8 February 2019, later supplemented by interviews with planning staff at Moorabool Shire, Bendigo and Shepparton on 15 April 2019. Additional details about the stakeholders consulted are provided in Appendix A, and the following sections provide a summary of their views gathered during this process. The later interviews focused on a sample of regional councils to provide better overall balance in the range of councils consulted. The information from this later round strongly confirmed the views gathered in the initial round.

2.4.1   Stakeholder expectations of the SfG Program

Stakeholders consulted for this study provided their overall views about, and recommendations for, the SfG Program. These are presented below for consideration.

— Most of the stakeholders noted that, overall, the SfG Program has been beneficial, particularly with regard to providing certainty about where development may occur and what can be developed.

  However, industry stakeholders also noted that:
  – the original focus of the SfG Program was on post-PSP issues which relate to Stages 3 - 6 of the Development Chain depicted in Figure 3.1. However, most of the funding has been directed towards projects in Stage 1 and 2 which are perceived to lie within the VPA's own remit of responsibilities. As such, industry stakeholders questioned whether projects at these stages should be included in this program.
  – the SfG Program should focus on projects that deliver benefits to Stages 3 - 6 of the Development Chain. This is where industry stakeholders reported having experienced 'the most pain' to date. This view appears not to accept the rationale of the expanded scope of the initial SfG Program, which was seen as directly addressing concerns of industry stakeholders. That said, stakeholders considered the spending in Stages 1 and 2 to be generally helpful.

— notwithstanding these specific criticisms, the development industry stakeholders were unanimous in the view that the SfG Program has been the most useful program to date in addressing shortcomings in the planning system relating to the delivery of housing developments and subdivisions.

— Stakeholders would like to see that all projects funded through the SfG lead to permanent changes and sustainable long-term benefit. They consider that learnings from successful projects should be disseminated to other councils to spread the benefits of the SfG Program.

— State Government stakeholders acknowledged that while 'developer pain' is focused in Stages 3 – 6, support for funding projects in Stage 1 and 2 will translate into increased speed / certainty in Stages 3 - 6. They also suggested that the focus of the SfG Program should align with its objectives and as such, those objectives could be clarified.

— Councils noted that the SfG Program has served as an enabler to much needed projects. Given no Program assistance, projects would have been stalled until council funding became available. Furthermore, one of the councils consulted noted that the benefits of the project funded through the SfG (targeting Stages 3 - 6) were immediate for Councils and developers.

— Councils also noted the importance of receiving full and complete information in developer applications. A failure to comply delayed the start of the approval process. Improving the quality of developer applications was an important part of improving performance in the planning system.

2.4.2 Challenges and opportunities

During consultations, stakeholders were asked about the main challenges and new opportunities for the SfG Program. Their views on these are summarised in turn below.

Challenges

The challenges for the SfG Program identified by stakeholders are outlined below.

— Some industry stakeholders believe that the SfG Program has become 'just another funding source for councils' and has not really been used for activities that would drive fundamental change and long-term benefits. This constitutes a challenge for SfG management. We note this criticism misses the point that there is clear evidence that poor strategic foundations in Stage 1 prejudice or delay what can be done at later stages, especially for regional councils and for brownfield development in Metropolitan councils and elsewhere. This report may assist the VPA to address this perception.

— SfG management is challenged with the task of disseminating best practice to other councils beyond individual council projects.

— Acknowledging the contribution referral authorities make to approval delays, particularly in Stages 3 - 6 of the Development Chain, any SfG project addressing these delays faces systemic cultural issues in referral authorities and Councils. That said, regional council stakeholders emphasised the value of VPA's involvement in the SfG projects, especially their capacity to bring together a wide range of stakeholders including state utilities and other referral authorities.

— Some stakeholders raised concerns over prioritising quantity of housing as it may compromise quality (such as access, energy efficiency, services).

— Accessing and tracking information about outcomes from the SfG Program for reporting was identified as a challenge.

Opportunities

Possible improvement opportunities for the SfG Program were discussed by consultation participants. These are summarised in the points below.

— Council stakeholders noted that there is an opportunity to bolster best practice dissemination efforts piloting projects in one council and then rolling out to other councils.

— Industry stakeholders agree. They believe there is a great opportunity for the SfG Program to propagate project learnings throughout councils to leverage what has been learned in one council to others and establish best practice. The successful interaction between growth area councils is an example of what could be done to propagate good practice and innovation among other councils with which the VPA is working.

— Industry stakeholders believe that the SfG Program would benefit from greater industry input, including by having industry representatives in the VPA's SfG project selection meetings.

— DELWP stakeholders also considered DELWP's involvement in the review and selection of projects would ensure projects were better tied into state strategic initiatives of which councils and the VPA were not necessarily aware. This would maximise the opportunities and benefits for councils.

— A stakeholder involved in planning panels emphasised the importance of robust strategic planning frameworks (Stage 1) that incorporated thorough community consultation to smoothing the rezoning process (planning scheme amendments – Stage 2).

— All stakeholders noted that the SfG Program would benefit from increased transparency regarding where the funding has been allocated and what has been achieved with it.

— Industry in particular suggested reporting the actual (not statutory) time that it takes to move from one stage of the Development Chain to another and measure the permanent improvements that the SfG Program has made in this respect.

— Industry highlighted that post 'PSP' process are faster in other jurisdictions and hence there is an opportunity for Victoria to correct the issues in these stages and become more competitive.

That said, the consistent message from the development industry and council stakeholders consulted was that the SfG Program was highly regarded, was very flexible, delivered significant benefits and was the most useful program with which they had been involved.

3

DEVELOPMENT CHAIN

This chapter introduces the 'Development Chain'. The evaluation framework uses the Development Chain to allocate SfG projects to 'stages' and applies the evaluation model to quantify the value of time savings that have flowed from the SfG projects implemented to date.

3.1 Development Chain framework

The Development Chain is our summary of the end to end process of moving from a council planning strategy to delivering subdivided blocks with registered individual titles. Figure 3.1 summarises the Development Chain into six stages. We acknowledge the assistance from the VPA in refining the model originally set out in the earlier evaluation framework report.

FIGURE 3.1   DEVELOPMENT CHAIN FRAMEWORK

POST PERMIT

STAGE **1** Complete the strategic land use framework

STAGE **2** Rezone land and complete ICP / DCP

STAGE **3** Approve planning permits

STAGE **4** Certify plan of subdivison

STAGE **5** Commence subdivison work

STAGE **6** Attain SOC & register plan of subdivision
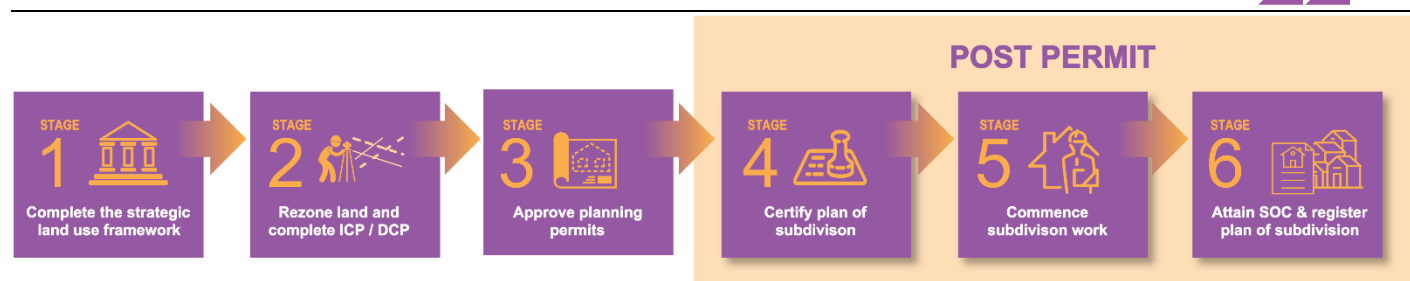
SOURCE: ACIL ALLEN CONSULTING

The Development Chain framework is linear. Each stage must be completed in sequence before a particular piece of land can progress from 'farm door to front door'.

Housing developments effectively enter the Development Chain from Stage 3. Before this stage the Development Chain transforms the allowable land use to residential, generally at a much larger scale than the individual housing development or subdivision from Stage 3 onwards.

Stepping through the stages:

— the land use framework must be complete (Stage 1) foreshadowing the intended changes in zoning to give effect to the council's intentions for increasing the supply of residential and industrial land. This framework must comply with both the State Planning Framework and local priorities in council strategic plans. Failure to have a complete suite of robust and thorough strategic planning documents tested by strong community consultation increases the probability of delays to, or rejection of, planning scheme amendments that give effect to the land use framework at Stage 2.

— land must be rezoned (Stage 2). Zoning of land proposed for a subdivision development must be appropriate to the intended use, which is Stage 2A. In parallel, an infrastructure contribution plan is developed to ensure sufficient funds are contributed by developers and councils to progressively build the infrastructure – parks, roads and utilities for example – as development proceeds. Both elements need to be in place. Otherwise planning approvals at Stage 3 will be rejected.

— the planning permit must be approved (Stage 3). A proposed subdivision development must have planning approval before a subdivision plan at Stage 4 can be developed and certified

— the subdivision plan must be certified (Stage 4), and engineering designs complete (Stage 5). To build a subdivision, a developer must have a certified subdivision plan and have completed and approved designs for subdivision engineering and detailed design.

— a Statement of Compliance must be obtained, and the subdivision plan registered (Stage 6). The building lots in the subdivision cannot have their titles issued (which in turn is necessary for them to be sold to the builder / homeowner) until the council issues a Statement of Compliance to the developer indicating all necessary compliances with the subdivision and engineering plans have been met.

As discussed in Chapter 4, councils often experience delays and inefficiencies in each stage of the framework. This increases the time taken and costs incurred to bring housing lots to market. To speed the delivery of land, and subsequently realise time and cost savings, the SfG Program has funded projects within each stage of the Development Chain.

Figure 3.2 illustrates the number of projects targeting each stage of the Development Chain for years 2016-17, 2017-18 and 2018-19. Some SfG projects are allocated to several stages because they address more than one stage of the Development Chain. From this figure we can see that Stages 1 and 2 have attracted the most project work which no doubt reflects the changed focus in the expanded Program. Splits per council stream are discussed in Chapter 4.

FIGURE 3.2   NUMBER OF PROJECTS TARGETING DEVELOPMENT CHAIN STAGES
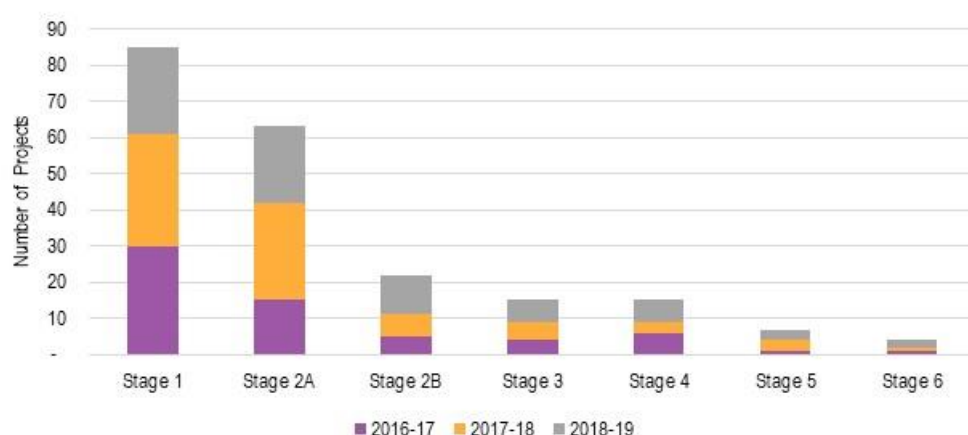
Note: Stage 2 consists of Stage 2A (rezone land) and Stage 2B (complete ICP/DCP), both of which will be discussed in section 2.3.
To date, the SfG Program has supported / continues to support 169 projects. The chart total is greater than 169 as many projects target more than one stage.
SOURCE: ACIL ALLEN analysis of VPA data

3.1.1   Detailed Development Chain

The 'Detailed Development Chain' maps the next layer of the Development Chain, i.e. all of the elements (or sub-stages) required to complete an overarching stage. The Detailed Development Chain is illustrated in Figure 3.3.

FIGURE 3.3   DETAILED DEVELOPMENT CHAIN FRAMEWORK

POST PERMIT

STAGE 1	STAGE 2	STAGE 3	STAGE 4	STAGE 5	STAGE 6
Complete the strategic land use framework	Rezone land and complete ICP / DCP	Approve planning permits	Certify plan of subdivison	Commence subdivison work	Attain SOC & register plan of subdivision

1.1 Identify land	2A.1 Determine appropriate zone	2B.1 Complete DCP / ICP	3.1 Complete application process	4.1 Subdivision Plan approval	5.1 Enter 173 Agreements	6.1 Construct development
1.2 Map out high level intention	2A.2 Planning Scheme Amendment process	2B.2 Planning Scheme Amendment process	3.2 Planning permit approval	4.2 Complete Functional Layout Plan	5.2 Complete Engineering Design & Detailed Design	6.2 Conduct audits
1.3 Background report						6.3 Attain Statement of Compliance
1.4 Conduct land capability analysis						6.4 Register titles
1.5 Map out high level infrastructure						

| Completed land use framework | Rezoned land | DCP / ICP in place | Approved permits | Certified plan of subdivision with FLP | Completed ED / DD | SOC & housing lots with registered titles |

SOURCE: VPA & ACIL ALLEN CONSULTING

3.2 Using the Development Chain to estimate time and cost savings

Each stage of the Development Chain is markedly different from the next. Specifically, each stage is different in:

— the amount of time that SfG projects may save

— the number of lots that apply to each stage, which will be influenced by the circumstances of individual councils, whether the stage addresses:

– 'landscape level' changes (Stages 1 and 2) such as large-scale rezoning (e.g. a PSP) or a strategic planning framework in which the number of housing lots is much larger, or
– an individual subdivision (Stages 4 – 6)

— the size of holding costs

— the value of the land as it is transformed in stages. The change in value over the course on the Development Chain can be enormous, rising from farmland to a residential block.

We developed a model for computing the benefit of the SfG program in terms of reduced costs of holding land during the land development process. The model estimates the present value in cost savings by taking the difference between two different scenarios:

— a 'Business as Usual (BAU)' scenario, representing the time a particular interaction would take in the absence of the SfG Program

— an 'SfG Improvement' scenario, in which the time is assumed to be accelerated due to a SfG project having been implemented.

To measure the value of land holding costs in dollar terms for each scenario the model relies on assumptions regarding:

— cost of land, which is the product of assumed

– *land price*
– *lot size*
– *number of lots*

— pass-through time for each stage by scenario, expressed as

– *time spent* - namely the time a typical project would spend at each stage of the development chain in the BAU scenario
– *time savings* - the extent to which a typical SfG project at each stage would accelerate the process at that stage.

As value of land is higher in inner city metropolitan councils and lower in regional councils and time savings differ by stage, the assumptions can be varied by:

— Council stream. Three types of councils are identified - Metropolitan, Metropolitan Growth and Regional – see Chapter 4 for details.

— Stage of development chain.

Detailed explanations on the development of cost of land and pass-through assumptions are provided below.

Holding costs on a typical lot of land are calculated based on the value of the land using an annual interest rate of 5 per cent.

3.2.1   Land price

Land price assumptions are entered in $/square metre and have been assumed to increase at each stage of the development process as shown in Table 3.1. Land prices in the model are used to estimate the value of a typical block in a residential development.

Stage 1 prices have been assumed based upon the median price of farmland in Victoria as at 2017.[7]

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[7] Based upon a median value of $5,932/hectare as at 2017 for farmland in Victoria which equates to a median value of $0.6/square metre. See Rural Bank, Australian Farmland Values (2018), p.24.

There is no value included in Stage 1 for Metropolitan councils due to the large diversity in land values to which stage 1 projects apply – the use of general assumptions would likely distort results. To evaluate future projects, the VPA could apply specific land value estimates reflecting the project under evaluation rather than a general assumption.

Land subject to Stage 2 is not traded and therefore no market data exists. Accordingly, land values have been arbitrarily assumed to be $25/square metre.

Stage 3 land values are assumed to be half that of Stage 4-6 land values for each council type.

Stage 4-6 land values are based on final lot sale prices provided by the VPA.[8]

TABLE 3.1   LAND PRICE ASSUMPTIONS, $/SQUARE METRE

Stage	Metro	Metro Growth	Regional
Stage 1	N/a	$1 (farmland)	$1 (farmland)
Stage 2	$25 (imputed)	$25 (imputed)	$25 (imputed)
Stage 3	$1,000 (imputed)	$420 (imputed)	$300 (imputed)
Stage 4-6	$2,000 (observed)	$840 (observed)	$600 (observed)

NOTE: NA = NOT APPLICABLE.

SOURCE: ACIL ALLEN CONSULTING 2019, ASSUMPTIONS FROM SFG MODEL.

3.2.2   Lot size

The value of one lot of land is calculated by multiplying the applicable land price by an appropriate assumed typical lot size for each council type. They are:

— Metropolitan councils - 300m^2.

— Metropolitan growth councils - 450m^2.

— Regional councils - 550m^2.

3.2.3   Number of lots

The number of lots assumed to be in a representative development by stage and council type are shown in Table 3.2 below.

The present value of holding cost savings for a representative project is estimated in the model by multiplying holding cost savings for a typical block by the number of lots. The number of lots in a representative project can be adjusted in the model to allow for smaller or larger project across councils, noting that projects tend to be smaller in Regional councils than in the Metropolitan Growth councils.

Stages 1 and 2, we envisage each SfG project applying to a precinct of several thousand lots. In practice, precincts are typically larger in Metropolitan Growth Councils than either of Regional Councils or Metropolitan Councils: this is reflected in the assumptions. At later stages the number of lots is smaller reflecting typical (development) project sizes at these stages.

TABLE 3.2   NUMBER OF LOTS ASSUMPTIONS, REPRESENTATIVE PROJECT

Stage	Metro	Metro Growth	Regional
Stage 1	0	6,000	3,000
Stage 2	200	6,000	3,000
Stage 3	200	200	100
Stage 4-6	200	600	100

SOURCE: ACIL ALLEN CONSULTING 2019, ASSUMPTIONS FROM SFG MODEL.

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[8] See A Guide to Property Values, Valuer General Victoria (2017).

3.2.4   Timing

The length of time a parcel of land takes to progress through each stage of development is called the pass-through time. In the model pass-through time is measured in quarters. Assumptions have been made regarding the pass-through time at each development stage and by council type for a Business as Usual (BAU) scenario where the SfG program has not been implemented. The current pass-through assumptions are listed in Table 3.3.

In our model Stage 1 and Stage 2 have the longest pass-through times, compared with shorter times for Stage 3 and Stage 4-6. The BAU scenario serves as a reference point against which time savings can be measured after implementing the SfG program.

TABLE 3.3   PASS-THROUGH TIME ASSUMPTIONS (QUARTERS), BUSINESS AS USUAL

Stage	Metro	Metro Growth	Regional
Stage 1	4	4	4
Stage 2	10	10	10
Stage 3	6	6	6
Stage 4-6	8	8	8

SOURCE: ACIL ALLEN CONSULTING 2019, ASSUMPTIONS FROM SFG MODEL.

For Stage 2 our model assumes developers in Metropolitan councils hold land equal to 200 lots of 300m^2, 6,000 lots of 450m^2 in Metropolitan Growth councils, and 3,000 lots of 550m^2 in Regional councils for a period of:

— 10 quarters under the BAU scenario

— 5 quarters in the SfG scenario.

At each stage of the development process, all lots of land are assumed to be sold off at the end of the period and progress to the next stage. However, in the case of Stage 2 land is progressively sold at the end of the 5 or 10-quarter period (depending on the scenario), to reflect the fact that land from large developments is typically slowly released to the market as small sub-divisions.

The model assumes that for Metropolitan and Metropolitan Growth councils, 150 lots (75 lots in the case of Regional councils) are sold each quarter from the end of the 5 or 10 quarter period until the entire plot of land is sold down over a decade, see Figure 3.4. This has the effect of reducing savings in holding costs for Stage 2 as they are discounted over a longer time period.

FIGURE 3.4   STAGE 2 RELEASE OF LAND AFTER RE-ZONING
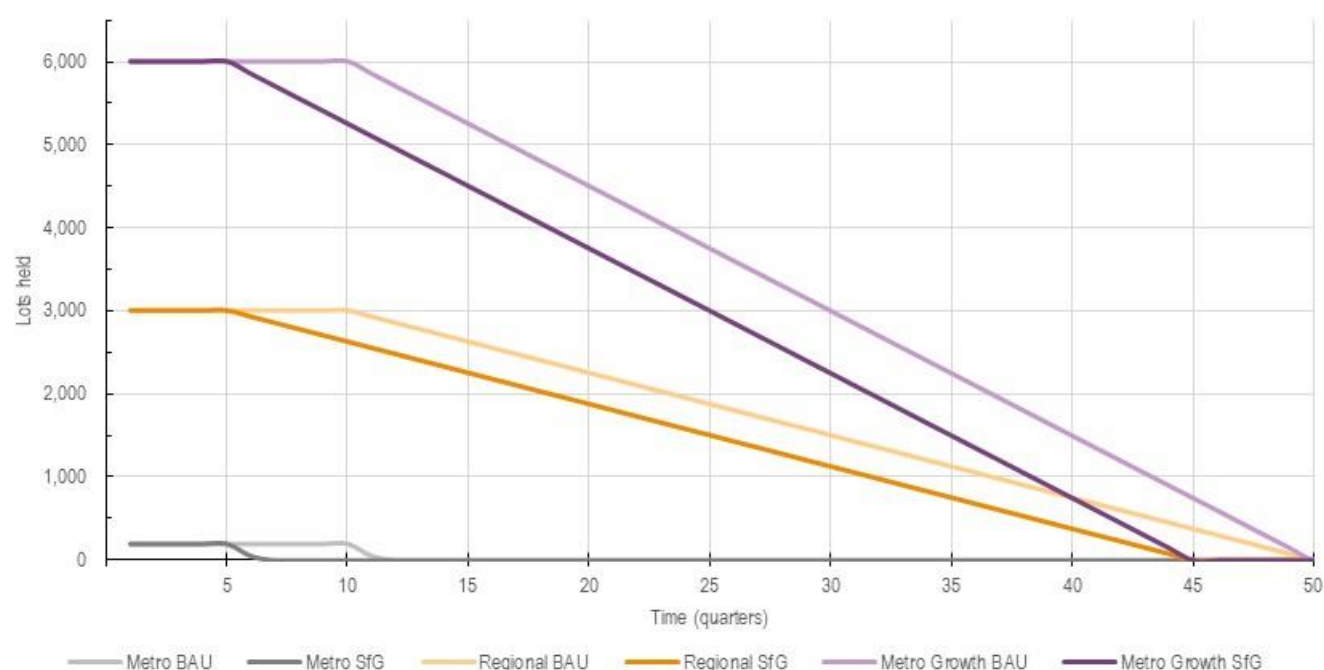
3.2.5   Time savings

Savings in pass-through times due to the SfG Program are expected to be made across all development stages for all council types, though any given SfG project will only impact one or two stages, see Table 3.4.

TABLE 3.4   SFG TIME SAVINGS ASSUMPTIONS (QUARTERS)

Stage	Metro	Metro Growth	Regional
Stage 1	1	1	1
Stage 2	5	5	5
Stage 3	2	2	2
Stage 4-6	2	2	2

SOURCE: ACIL ALLEN CONSULTING 2019, ASSUMPTIONS FROM SFG MODEL.

3.2.6   Value per project completed stage

The time savings in Figure 3.5 are converted into monetary values by type of council (that is, depending on whether it is a Metropolitan, Metropolitan Growth or Regional council) and by the stage of the Development Chain where the SfG project has led to time savings.

TABLE 3.5   VALUE OF TIME SAVINGS FOR EACH STAGE BY COUNCIL TYPE

Stage	Metro	Metro Growth	Regional
Stage 1	-	$32,009	$19,561
Stage 2	$81,275	$2,671,726	$1,632,722
Stage 3	$1,385,494	$872,861	$381,011
Stage 4-6	$2,674,852	$5,055,471	$735,584

Using Table 3.5 as a ready reckoner, the overall time savings benefits from the SfG program are calculated by multiplying the numbers of completed stages achieved by the SfG projects by the value of the time savings in the relevant cell in Table 3.5. We return to this in Chapter 6 in Section 6.1.2 and Table 6.1 and Table 6.2.

3.2.7 Mapping individual SfG projects to Stages

A single SfG project may address multiple Development Chain stages concurrently. Equally, one project may only complete some sub-stages within a stage rather than all of the stage. It therefore follows that time and cost savings achieved by an SFG project may not be realised in full if the project doesn't address all sub-stages within the broader stage. The Detailed Development Chain assumes that savings applicable to a stage will be fully realised if all sub-stages within the stage are addressed by the project. If not, savings will be partial. For example, if utilising SFG funding enables a council to complete stage 1 two years faster, the council will achieve time savings of two years if their project covers sub-stages 1.1 to 1.5. If the project only targets sub-stages 1.1. to 1.3, time savings would be 1.2 years which is 60 per cent of full potential time savings. To gauge stage completeness and therefore the size of time and cost savings, all SfG projects have been mapped to the Detailed Development Chain. Figure 3.5 illustrates the number of projects to complete less than 50 per cent, 50 per cent, more than 50 per cent or 100 per cent of a stage. Except for projects targeting stage 2, most projects partially complete a stage.

FIGURE 3.5 PER CENT OF TOTAL DEVELOPMENT CHAIN STAGE COMPLETED BY PROJECTS
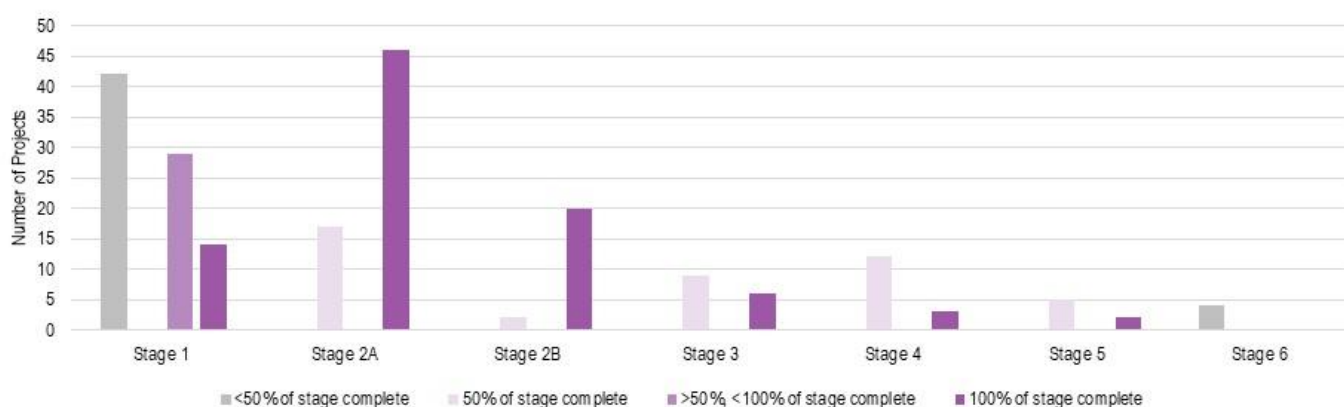
Note: To date, the SfG Program has supported / continues to support 169 projects. The chart total is greater than 169 as many projects target more than one stage.
SOURCE: VPA & ACIL ALLEN CONSULTING

4

SFG PROGRAM COUNCIL STREAMS
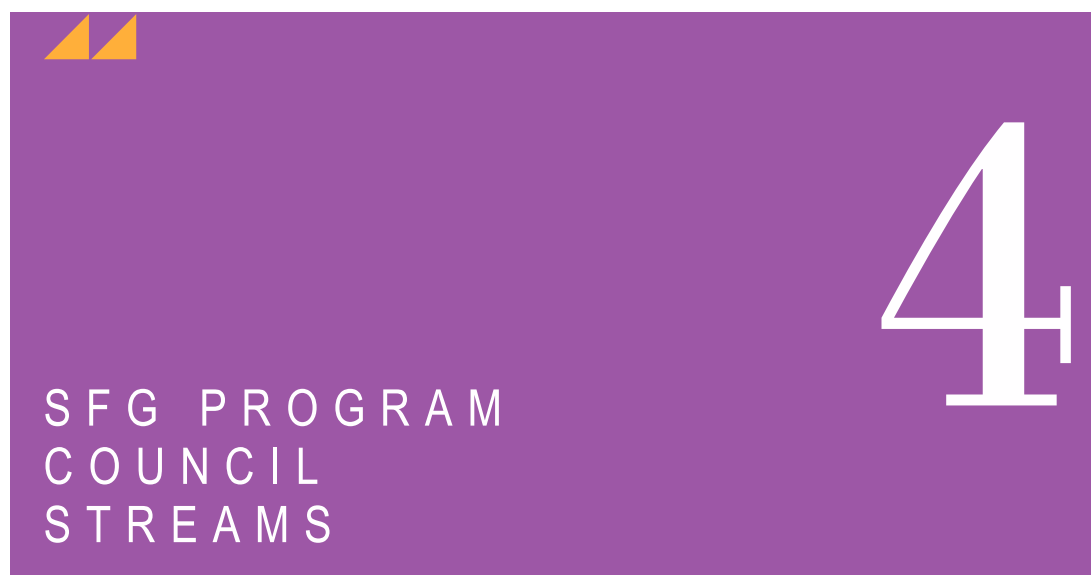
The analysis of SfG applications and consultations with stakeholders, including individual councils, highlighted the importance of the differences among councils in the priorities for improving their planning systems. At the same time, it indicated strong similarities between certain types of councils, especially in terms of their needs for assistance in streamlining their planning systems.

This chapter introduces the three 'council streams' – metropolitan, metropolitan growth and regional – that we have developed to explain the patterns of planning issues and the different mix of benefits participating councils have derived from the SfG Program. It discusses the issues, assistance required and associated benefits attributable to each as well as presenting case study examples.

4.1 Planning issues for councils

The scope of planning issues identified in consultations covered the whole of the development chain. There were shared, repeated patterns across councils that faced similar growth challenges and were constrained to a similar extent by staff, skills and financial resources. A representative list of these planning issues includes

1. Incomplete strategic land use framework, constrained by insufficient:

    a) inhouse capability (skills)

    b) council resources (staff, money)

2. Insufficient supply of appropriately zoned land within the strategic land use framework. This requires Planning Scheme Amendments to increase the supply of land, but Council's ability to deliver these is constrained by inadequacies in the strategic planning framework and by

    a) insufficient inhouse capability (skills)

    b) insufficient council resources (staff, money)

    c) limited capacity to bring together all the stakeholders to optimise the value to the council of rezoning, precinct design and redevelop complex sites

3. Slow statutory planning approvals as a result of

    a) insufficient inhouse capability (skills)

    b) insufficient council resources (staff, money) that constrained the pace improving the system or contributed to backlogs of planning approval applications

    c) inefficient internal council process (process design, organisation effectiveness)

    d) inefficient external referral process

4. Slow post planning permit approvals as a result of

    a)   insufficient inhouse capability (skills)

    b)   insufficient council resources (staff, money)

    c)   inefficient internal council process (process design, organisation effectiveness)

    d)   inefficient external compliance signoff

5.   Slow approval process for certifying engineering plans

    a)   extensive rework

6.   Slow process for achieving statement of compliance for subdivisions

    a)   slow and inefficient compliance sign off by non-government utilities (e.g. Telstra and NBN).

4.2 Metropolitan

Broadly speaking, the Metropolitan council group consists of all Melbourne councils that are neither growth area councils nor undertaking greenfield development. This group is primarily concerned with infill development, increased density of housing and redeveloping critical sites rather than the rapid delivery of large new subdivisions to underpin the ongoing supply of housing lots.

For such councils the key issues are less the statutory planning process and subsequent stages in the development chain than rezoning brownfield sites and settling their strategic planning framework, meaning SfG projects tended to:

— ensure their strategic planning frameworks are complete, up to date and consistent with the state's planning framework

— create and implement selected rezoning through planning scheme amendments.

Figure 4.1 shows the distribution of the SfG projects for Metropolitan councils across the Development Chain. It shows just over half of the SfG projects in this group were Stage 1 projects.

The specific assistance these projects provided took several different forms. These included providing financial support to enable councils to engage additional planning staff and thereby free up skilled strategic planners needed to complete local strategic planning documents. In other cases, VPA provided its own skilled staff to do strategic planning work with council planners.

There was widespread support from Metropolitan councils and most other stakeholders for the SfG Program. A common observation was that it brought forward planning projects that would otherwise have been delayed until such time that councils could find enough money to do the work. A shortage of strategic planners was repeatedly identified as a constraint to bringing strategic planning systems up to date.

One benefit noted by council stakeholders was that VPA involvement could bring together a wider group of stakeholders than an individual council might be able to achieve. This is due to the VPA bringing additional gravitas to the process and is seen as providing benefits in and of itself. As a result, more ambitious planning projects could be attempted.[9]

For these councils, little priority was attached to improving the process of planning approvals, which meant that the SfG projects in Metropolitan Councils have been focused on Stages 1 and 2 of the Development Chain.

Overall, these projects could be expected to provide a combination of one-off benefits and some downstream red tape savings arising from clarifying and making more certain the local planning environment.

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[9] This benefit was also mentioned by regional councils as discussed in section 4.4.

FIGURE 4.1   METROPOLITAN PROJECTS TARGETING DEVELOPMENT CHAIN STAGES
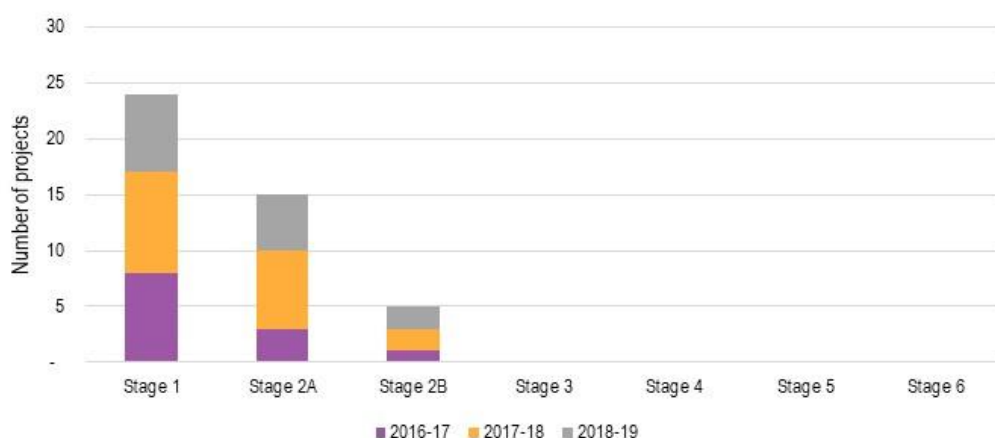
SOURCE: VPA & ACIL ALLEN CONSULTING

4.3 Metropolitan Growth

The metropolitan growth group of councils comprises:

1. the Councils originally designated as growth area councils within Melbourne's growth boundaries

2. other councils that are marked by significant greenfield development (and pressures on post PSP processes).

As with the Metropolitan Councils discussed in the previous section there has been significant investment in Metropolitan Growth Councils in projects at the first two stages in the Development Chain. These have largely been focussed on addressing the strategic planning documentation.

However, in the Metropolitan Growth Councils the profile of projects is more evenly spread across the whole of the development chain than it is in the established Metropolitan councils.

Figure 4.2 shows the spread of projects implemented in Metropolitan growth Councils across the development chain.

FIGURE 4.2   METROPOLITAN GROWTH PROJECTS TARGETING DEVELOPMENT CHAIN STAGES
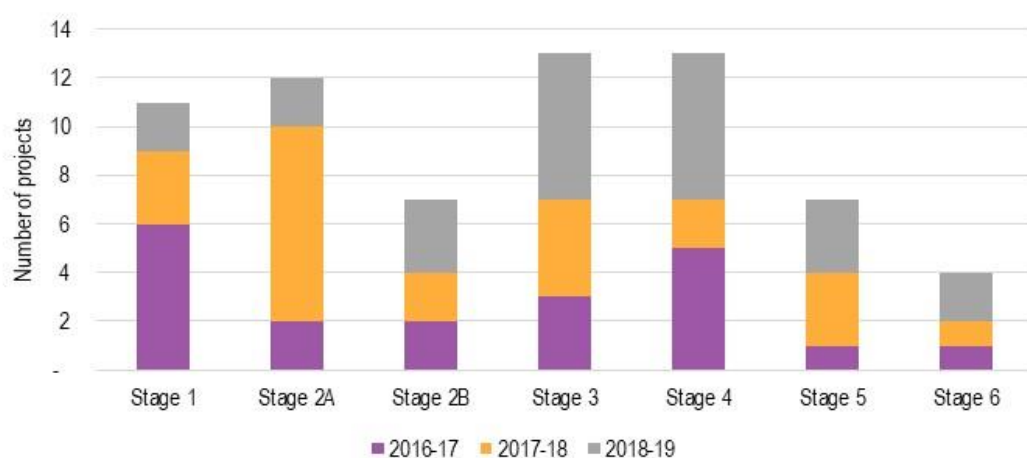
SOURCE: VPA & ACIL ALLEN CONSULTING

In addition, and unlike the situation in Metropolitan Councils, comparing Figure 4.1 with Figure 4.2 shows that there have been more projects in stage 2 of the development chain than Stage 1. PSP's, and assistance to councils in planning scheme amendments, are a significant element of the SfG Program for these councils.

Perhaps more significantly, the data relating to the Metropolitan growth councils show that there has been a heavy emphasis on 'post PSP' (post stage 2) projects. This is highly consistent with efforts through the VPA to simplify statutory planning processes, including subdivision approval processes.

The post-PSP projects funded in Metropolitan growth councils varied significantly. They included:
— process reengineering to remove time and unnecessary steps
— clarification at the start of key stages of the specific information and format required from applicants to sharply reduce rework by applicants
— earlier involvement of council engineering departments in Stage 4
— use of information technology to lift the transparency of the progress through Stages 3, 4 and 5 of the development chain.

Some of the SfG projects included specific and measurable performance measures – such as the time taken to complete the statutory planning approval process, the number of iterations (rework) to have the plan approved and the numbers of plans processed per person in the planning and engineering teams.

These changes were also strengthened in several cases by concurrent organisational changes, such as collocating planning and engineering departments and early involvement in statutory planning processes by the engineering department to ensure the right information was obtained from proponents early in the process. These steps added to internal cohesion and clarity within councils and exemplify some of the transferable insights available to other councils from the wider improvements by the growth area councils. Specific SfG projects also led or contributed to other transferable benefits such as redesigned process and better planning ITC platforms.

For most councils, these individual SfG projects were part of wider improvement efforts. There was widespread support for the SfG projects from these councils.

While the projects were significantly council-specific, there were ongoing efforts by the group of growth area councils to share the improvements within their individual council planning systems among each other. This effective community of practice and improvement was a joint effort of the growth area councils, the VPA and the development industry, underpinned by resources from the development industry, councils and the VPA.

Consultations with several councils in this group, including Casey, Cardinia and Wyndham, highlighted a range of benefits and support from the SfG project, including:
— focusing on improving the process for speeding the completion of Functional Layout Plans, including reducing the number of days taken in planning
— one off reduction in the backlog of planning approvals
— establishing the framework for setting and monitoring the infrastructure contribution plan (ICP).

BOX 4.1   CARDINIA SHIRE COUNCIL

Cardinia is one of Melbourne's growth area councils. It has made four successful applications to the Streamlining for Growth program. It has generally sought grant funding, rather than VPA staff and skills, in these applications. Grant funding has enabled council to employ skilled resources and speed up the process for Functional Layout Plans, focusing on the numbers of days reduced for council response with the intention being to reduce from 30 days to 20 days. This project enabled council to 'right-size' their team for a defined time period. Outputs of this project informed a business for team expansion.

Another project focused on improving the council's capacity to improve Infrastructure Contribution Plans (ICPs) by better forecasting and managing contributions under ICP and improving audit and monitoring of spending. Learnings from this project are likely to be shared with seven growth area councils.

SOURCE: ACIL ALLEN CONSULTING

All of these matters reduce regulatory burden and cut red tape. Some have time savings that provide benefits for the duration of the activity. Where these post-PSP projects include process re-engineering – typically in Stages 3 and 4 – there are ongoing red tape reduction benefits. Other projects tend to lead to a one-off reduction in red tape during the life of the project. There is therefore a mix of persistent and non-persistent benefits in these projects.

BOX 4.2   CASEY CITY COUNCIL

Casey has had two Streamlining for Growth projects, one of which aimed to improve the engineering planning approval process, workflows and the capacity to submit plans on-line. This project contained a significant element of ongoing reform to process and enduring improvements to efficiency and productivity. It aimed to improve the IT platform to manage documents and planning applications and included lean methodology for process simplification. Performance measures have been a key part of the work, including success measures on the reduced time taken to obtain planning approvals and reduced number of iterations per plan needed to obtain approval.

The council staff feedback was that the SfG project led to useful ongoing efficiency improvements, identified specific systems for improvement, provided checklists to improve process steps and increased the capacity to track planning applications. It was considered a "very worthwhile and valuable project".

SOURCE: ACIL ALLEN CONSULTING

4.4 Regional

Regional councils are a very diverse group. They range from regional cities such as Shepparton and Bendigo to peri-urban councils on the fringe of Melbourne such as Moorabool to rural councils such as Campaspe (regional projects by development stage are shown in Figure 4.3). Notwithstanding their differences, these councils shared a number of common features, including:

— Significant shortcomings in Stage 1 of the development chain. In many cases strategic land use/planning documents were incomplete, outdated or required a reconsideration in the light of trends in demand for housing and development within the council area. In some cases, the expansion of Melbourne was driving the demand for housing on the fringes of Melbourne outside Melbourne's growth boundary, which in other cases specific factors applied such as the closure of the Hazelwood power station. The absence of contemporary and complete strategic planning documents was contributing to difficulties in rezoning land through Planning Scheme Amendments, including delays, changes and in some cases rejections

— Limited capacity and/or skills to undertake the task of revamping council strategic land use frameworks to meet trends in population growth and development in the council area. The planning staff of the councils that the project team consulted clearly indicated their council was aware of the

need but were constrained by available resources and that such improvements, in the absence of funding from the VPA, were on a slow track. The project team heard that was one of the important contributions of the SfG projects in Stage 1.

— Limited capacity and skills within councils to undertake large scale, complex strategic rezoning at precinct level or strategic sites where developing a wide coalition of major stakeholders was necessary to optimise the benefits of redevelopment. In these circumstances the scale and complexity of rezoning was suboptimal in the absence of a body with the standing needed to assemble the right group of stakeholders such as Victorian agencies, state utilities and higher education institutions.

FIGURE 4.3   REGIONAL PROJECTS TARGETING DEVELOPMENT CHAIN STAGES
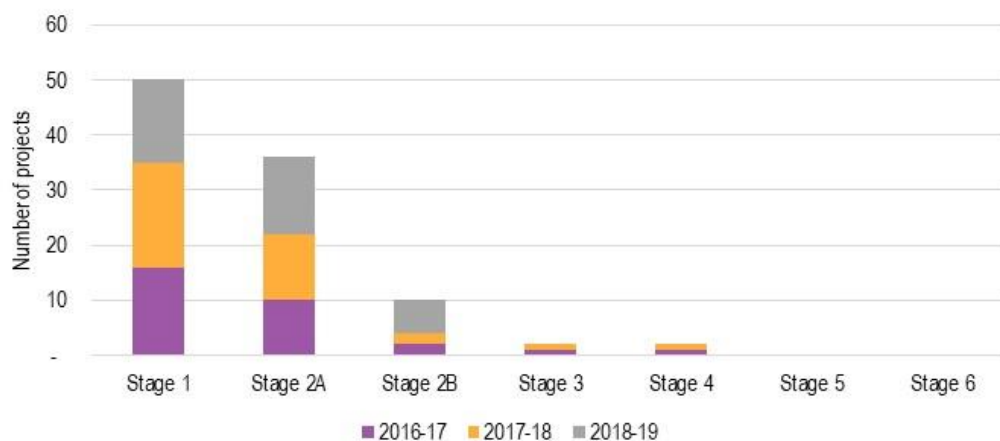
SOURCE: VPA & ACIL ALLEN CONSULTING

In some cases, such as regional cities with histories going back to the Gold Rush, there were further complications in developing brownfield sites to achieve higher population densities. Much of the complexity stemmed from an accumulated complex legacy including complex patchworks of colonial era zonings, ambiguity about which state authority was responsible to certain land and assets and complex existing infrastructure that required additional capacity. In these cases, councils saw additional benefits from the involvement of the VPA in that the VPA was considered to have much greater capacity to engage and manage a wider range of stakeholders in redevelopment projects. As a result, more complex and higher value redevelopment options could be considered and managed.

BOX 4.3 MOORABOOL SHIRE COUNCIL

Moorabool Shire, which covers an area on the outskirts of Melbourne and includes Bacchus March, has been funded for five SfG projects between 2016-17 to 2018-19. They assisted two large projects: the Bacchus March Urban Growth Framework Plan which falls within Stage 1 of the development chain; and the Parwan Precinct Structure Plan (including the employment precinct and the railway station. The Parwan projects correspond to the early stages of a precinct structure plan and fall within Stage 2.

The Urban Growth Framework Plan is in effect a smaller version of Plan Melbourne and allows for an increase in population of about 20,000 (2-3 fold increase). Moorabool Council received funding and staff resourcing from VPA. In the absence of this support the project would have taken significantly longer.

The Framework Plan has been adopted by Moorabool Council and is incorporated into the planning scheme. It gives a clear direction that provides certainty to the community and developers about where development can and cannot occur. The time savings to developers are thought to be significant in subsequent planning processes for subdivisions, but they have not formally estimated. Informally, estimates are a 40 per cent saving in the time for rezoning.

The VPA is Moorabool's planning authority for the Parwan Precinct Structure Plan.

SOURCE: ACIL ALLEN CONSULTING

Consequently, an important feature in the overall pattern of the SfG projects for this group of councils is debottlenecking Stage 1 of the development chain to lift the potential to improve performance further down the chain. About half of the SfG projects for this group aimed to improve the strategic underpinnings of the council planning systems, while most of the remainder assisted councils with specific rezoning activities in Stage 2. In these respects, the pattern closely resembles the pattern for the established Metropolitan council group (see Figure 3.1).

That said, this regional group also includes a small number of SfG projects to streamline the planning processes at Stages 3 – 6.

The specific assistance sought by councils and provided by the VPA again falls into a pattern of financial resources to enable councils to employ additional staff and thereby free up internal strategic planners to address Stage 1 shortcomings and the provision of staff and expertise to assist directly.

BOX 4.4   GREATER BENDIGO CITY COUNCIL

Bendigo has received funding for five SfG projects including Plan Bendigo, Unlocking Greater Bendigo's potential and the Bendigo Industrial Land Development Strategy. The Plan Bendigo project was intended to set part of the context for Bendigo's master plan and identified "the bigger picture infrastructure projects". The VPA provided financial and staff assistance.

One of the projects from Unlocking Greater Bendigo's potential is the Golden Square precinct. This is an area within Bendigo that has historically large housing blocks and an ageing commercial centre. It also has some legacy complexities from colonial times. The project investigates infill development and the use of government sites. The VPA has provided a mix of direct funding and expert staff resources. A particular benefit of the VPA's involvement identified by the council has been its capacity to bring together a range of Victorian Government stakeholders in the process and thereby to increase the potential for achieving better outcomes. The council also considers that the VPA's involvement has brought forward the project and reduced uncertainty.

The council planning staff consider the VPA projects have provided several additional benefits, including council staff and providing training. Moreover, VPA brings access to other skillsets including expertise in land economics.

SOURCE: ACIL ALLEN CONSULTING

BOX 4.5   GREATER SHEPPARTON CITY COUNCIL

Shepparton has received funding for three SfG projects: the Shepparton Urban Framework Plan; the Shepparton Mooroopna Strategic Framework Plan; and the Shepparton Regional Health and Tertiary Education Hub Structure Plan. The assistance has been a combination of grants and VPA resources.

The Shepparton Urban Framework Plan (UFP) has been accepted by the council and incorporated into the planning scheme. The intention of the UFP is to work with government agencies to resolve and zone investigative areas (particularly with growth corridors). This would limit uncertainty as it makes the council's intentions clearer. Using the VPA has been of benefit as they ensure that the plan is an all of government approach i.e. it considers the views of various parties including, for example, catchment management authorities, VicRoads and Goulburn Murray Water. (This contribution is also highly relevant to the health and education hub project.) The next stage is a PSP.

The council sees particular benefits from the UFP. There are significant time savings to developers and councils. With the UPF 2 – 4 years can be taken off the time to develop a contentious growth corridor where many landholders (and potential beneficiaries) may be involved.

SOURCE: ACIL ALLEN CONSULTING

4.5 Concluding thoughts

The consistent message from stakeholders was that the SfG Program has been very helpful in a wide number of areas.

The benefits include bringing forward projects that may have occurred later depending on the availability of funding and resources, the provision of expertise, growing the capability of council staff, bringing in other government agencies that councils have limited capacity to influence and so on.

Some of the benefits were capable of some degree of quantification, particularly where time savings were identified. A key challenge in those cases is finding reasonable estimates of such savings, given the range of time savings suggested by stakeholders and individuals interviewed.

The SfG Program is very flexible, with the capacity to address priorities at any stage of the development chain. (It should be noted the development community generally consider the priority

should be given to Stages 3 – 6, which is consistent with their focus of the downstream stages of the development chain.)

All stakeholders consistently hold the view that the SfG Program, despite imperfections, is worthwhile and is a most useful contribution. Representative views from councils include:

— "We'd like to see the SfG Program continue from a resource point of view. The benefits of having the VPA run things can't be quantified"

— "Having the state government take a larger role has made it easier for the councils. It takes away from antagonistic issues which could negatively persuade strategic outcomes"

— "[Council] hasn't had the same sort of attention as other councils. VPA funding puts us in the political limelight"

— "We found the SfG Program really worthwhile and hope that it continues"

There are two further observations. The first is there appears to be a large unrealised value from adopting across councils the learnings and better practice in streamlined process, use of information enabling technology and better organisational integration within councils. The collaborative work among the growth area councils – effectively a community of advanced practice – is a case in point. The VPA could consider how this good practice – and good practice in regional and other councils more broadly – can be shared and adopted elsewhere.

The second is that additional attention may be needed to ensure the State Planning Framework and policies are incorporated robustly in the council strategic planning frameworks in Stage 1. Weaknesses at that stage tend to be exposed in subsequent planning scheme amendment applications, leading to delays, amendments or, in extreme cases, rejection. The VPA might consider how this risk can be mitigated.

IMPACT EVALUATION FRAMEWORK

This chapter sets out a framework and indicators for identifying and valuing impact resulting from the SfG Program.

5.1 Impact evaluation framework program logic

In simple terms, 'program logic' is a theoretical framework which maps the chain of cause and effect being sought by a program. It serves an important purpose in impact evaluations as they provide a framework for developing indicators of program performance. When constructed correctly, the measurement of performance indicators will shed light on the SfG Program's impact.

Figure 5.1 presents the SfG Program logic used for the SfG Program's impact evaluation framework. It includes Program objectives, inputs, activities, outputs and outcomes.

FIGURE 5.1   PROGRAM LOGIC
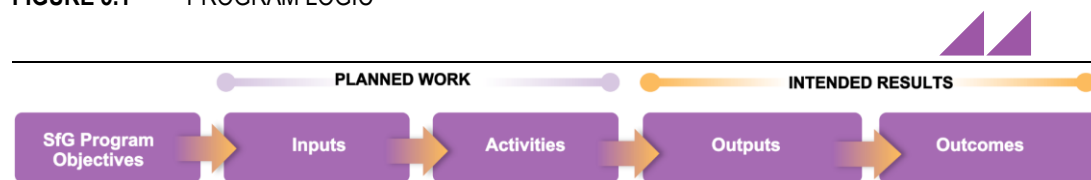
SOURCE: ACIL ALLEN CONSULTING

5.1.1   SfG Program objectives

The SfG Program's overall *objective* is to speed up the release of land to provide employment growth, increased housing choice and affordability (Victorian Government 2019)[10].

5.1.2   Planned work

Inputs are resources used to implement the SfG Program and deliver the intended results. For the SfG Program, these inputs include financial (grant funding) and human resources (personnel – VPA staff and / or consultants).

Activities are actions which utilise program inputs to deliver program goals. Activities associated with the SfG Program include tasks such as conducting technical studies, developing Masterplans, streamlining approval processes and assisting with the assessment of engineering plans among others.

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[10] Source: Victorian Government 2019, Speeding up local government planning decisions, https://www.vic.gov.au/affordablehousing/housing-supply-and-planning/local-government-planning-decisions.html, Accessed 16 January 2019.

5.1.3   Intended results

Outputs are the first level of results associated with the SfG Program, that is what the SfG Program has achieved in the short term. For the SFG Program, outputs include:

— delivery of Development Chain stage or sub-stage e.g. rezoned land
— improved approval processes and associated reduction in planning backlogs
— improved council planning capacity and / or skills
— reduction in red tape
— reduction in the failure rate of subdivisions and associated reduction in risk.

Outcomes are the benefits that a program or intervention is designed to deliver. Outcomes relate to the objective of the SfG Program. The SfG Program's outcomes include:

— accelerated land delivery
— increased housing choice
— reduction in developer cost and housing prices
— accelerated employment.

It should be noted that rather an *increase* in land and employment, this report focuses on the *bring-forward* of land and subsequent employment. To ensure that benefits are not overstated, we have assumed that utilising SFG Program assistance will enable a council to deliver land faster rather than deliver more of it. Nevertheless, we do acknowledge that in many cases, land and employment may increase as a result of the SfG Program. This will be discussed in more detailed in section 5.3.

5.2 Quantitative indicators

Quantitative indicators are highly useful in evaluations as they enable impact to be definitively and objectively measured. At the same time, not all metrics lend themselves to quantitative measures. Furthermore, the ability to use quantitative indicators is largely subject to the data available. For where data were available and it made sense to do so, quantitative indicators where developed.

The set of quantitative indicators are listed below. They align to program inputs, outputs and outcomes. The findings of these indicators are discussed in Chapter 6.

5.2.1   Inputs indicators

— Number of projects funded and number of unsuccessful applications (for each year and each council stream)
— Number of projects targeting each Development Chain stage (for each year and each council stream)
— Funds committed (or budgeted), funds expensed, unallocated funds (funds committed less funds expensed) and funds contributed by councils (for each year and each council stream)
— Number of projects discontinued before completion
— Percentage of total expenses used on grants, staff or consultants (for each year and each council stream).

5.2.2   Output indicators

— Number of projects to complete each Development Chain stage at various levels of completion, i.e. projects to complete 50 per cent of a stage, more than 50 per cent, 50 per cent or 100 per cent (for each year)
— Percentage of planning permits approved and average approval time (for each year and for permit only applications, permit and certification applications or both)
— Percentage of planning permits rejected (for each year and for permit only applications, permit and certification applications or both)
— Percentage of plans certified and average approval time (for each year and for certification only applications, permit and certification applications or both)

— Percentage of plans rejected (for each year and for certification only applications, permit and certification applications or both)
— Council scoring from council populated surveys including:
 – Improved capacity and / or staff skills (average score out of five)
 – Streamlined council planning processes (average score out of five)
 – Accelerated project timing and delivery (average score out of five)
 – Satisfaction with SfG Program (average score out of five).

5.2.3 Outcome indicators

— Time saved (for each council stream and stage of the Development Chain)
— Developer holding costs saved (for each council stream and stage of the Development Chain).

5.3 Qualitative measures

Some items either do not lend themselves to quantitative measurement or do not have the required data available. Nonetheless, these can be addressed qualitatively. For the SfG Program, these include the below and will be discussed in Chapter 6.

— employment brought forward
— increased land supply and employment
— increased housing affordability
— red tape savings
— client satisfaction.

5.4 Treatment of projects resulting in permanent vs temporary change

An SfG project can either lead to a temporary change (e.g. the employment of additional staff to assist with planning backlogs for a defined period) or a permanent change (e.g. consultant assistance to complete a precinct structure plan or a simplification in process).

Permanent and temporary change projects both result in output benefits and time and cost savings. Unlike temporary change projects, projects effecting permanent change will have ongoing impacts on the next (and subsequent) round of projects thereby producing time and cost savings well into the future. For example, with a precinct structure plan in place, planning approvals that are consistent with the PSP efforts are greatly simplified and faster. Thus, the precinct will enjoy a sustained decrease in the time taken to rezone land.

In part to remain conservative and in part due to lack of data, *future* benefits caused by permanent change projects have not been included in benefit calculations.

5.5 Indicators for future consideration

5.5.1 Indicators to be created

The indicators in Table 5.1 have not been included in this evaluation due to lack of data. Nonetheless, these indicators would be valuable additions to the evaluation framework. We suggest that the VPA explores potential data collection avenues and subsequently consider the inclusion of these indicators.

TABLE 5.1   INDICATORS FOR FUTURE CONSIDERATION

Indicator Type	Indicator Name	Reason for exclusion from current evaluation	Potential mitigation
Input	Projects delivered on time	Data not available	Start date and end date to be captured by VPA
Input	Permanent vs temporary project classification	Data not available	Classification to be captured by VPA
Output	Number of resubmissions per engineering plan	Data not available	Data to be captured in PPARS
Output	Client satisfaction (developers)	Data not available	Data to be ascertained through surveys[a]

[a] Surveys are currently distributed to councils for data collection at SfG project completion. Surveys could be extended to developers.

SOURCE: ACIL ALLEN CONSULTING

5.5.2   Indicators to be improved

Indicators which have been included, yet could be improved with data clean ups, relate to planning permit approvals and plan certifications. These indicators use SPEAR data to gauge approval / certification time frames and the number of permits / plans refused. The 'status' field within SPEAR needs improvement to better determine what applications are approved or refused.

Metrics from council surveys are also included in the evaluation framework but could be improved. Currently, 'Organisation' is a field to be populated within the survey. To date, only 50 per cent of councils have filled this field. VPA are encouraged to make this a compulsory field so that council feedback may be mapped to different council streams and therefore allow the VPA to see which streams are responding best and which may need greater attention.

6

FINDINGS

This chapter presents the results of our application of the SfG Program Impact Evaluation Framework. It firstly produces results from quantitative indicators, then provides a discussion on qualitative measures and lastly concludes the overall impact of the SfG Program.

6.1 Quantitative indicators

As a part of this project, ACIL Allen developed an excel model to calculate the impact of the SfG Program to date using quantitative indicators. This model has been provided to the VPA along with this report. The model is designed to be used on an ongoing basis for reporting purposes.

The model creates a dashboard which presents results for input, output and outcome indicators. A snapshot of this dashboard is shown in Figure 6.1.

FIGURE 6.1 SFG PROGRAM IMPACT EVALUATION MODEL DASHBOARD
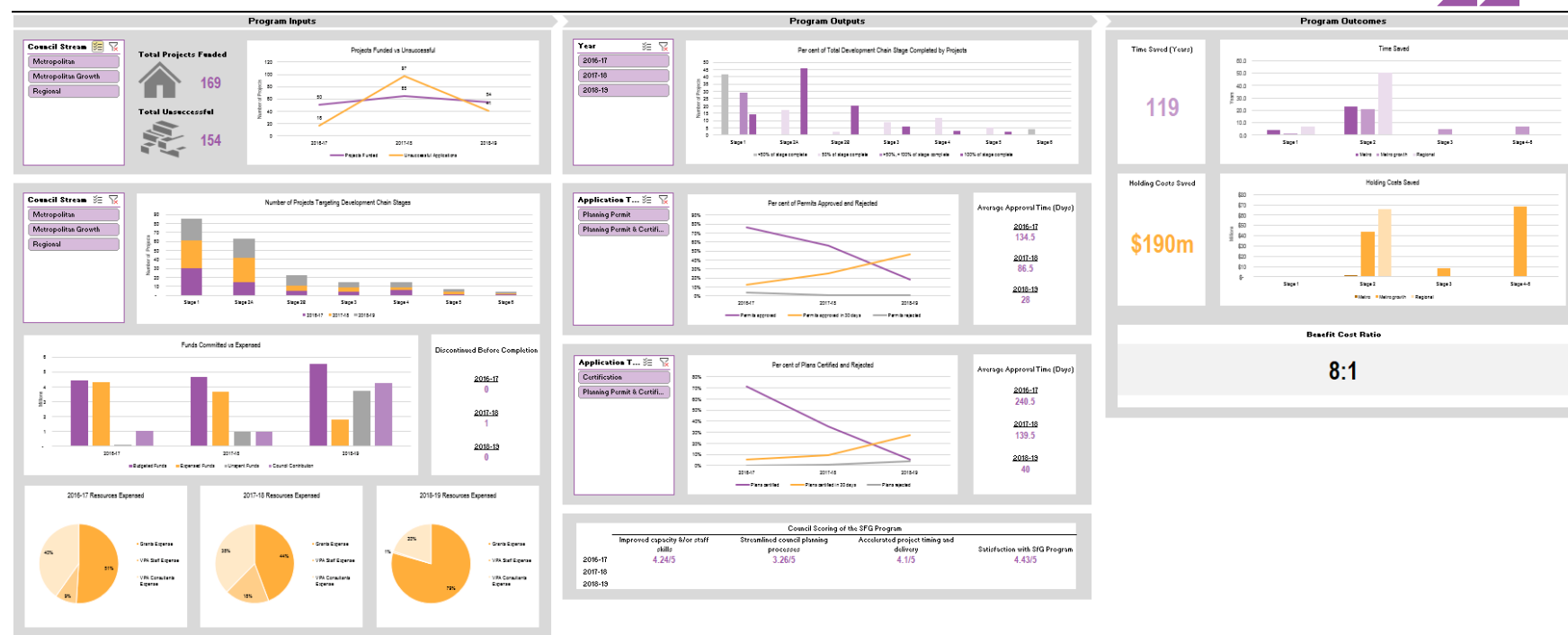
Note: This snapshot is for illustrative purposes only. To better view dashboard results, please refer to the excel model.

SOURCE: ACIL ALLEN CONSULTING

6.1.1 Input indicators

Input indicators reveal the quantity and mix of resources invested into the SfG Program as well as the area to which they are invested.

As reported in section 2.3, SfG funding has been provided for 169[11,12] projects since Program inception. Most of those projects started in 2017-18.

Regional councils have enjoyed the largest number of projects (81) with only eight unsuccessful applications over the 2016-19 period. Metropolitan councils have the fewest projects (36) and the largest number of unsuccessful applications (129)[13].

To date, there has been only one project to be discontinued before it reached completion.

Projects have been focused on stages 1 and 2 of the Development Chain, particularly in metropolitan and regional councils. On the other hand, councils within metropolitan growth areas have had most projects reside in stages 3 to 6.

As discussed in preceding chapters, $14.7 million has been invested into the SfG Program since 2016, excluding program management and administration costs and the contributions by Councils. Most of this $14.7 million was allocated in 2018-19.

Most of the 2016-17 budget allocation round has been expensed through the delivery of projects. Approximately 20 per cent of 2017-18's budget and two-thirds of 2018-19's was yet to be spent when the data for this report were collected in late 2018.

As to be expected with the greatest number of projects, regional councils enjoy the largest amount of budget allocation. Overall, most budget allocation has been delivered to projects in the form of grants, rather than staff / consultants.

6.1.2 Output indicators

Output indicators speak to the number of stages (or sub-stages within a stage) that have been completed as a result of the SfG Program. They also indicate the change in planning permit approvals and plan certifications. In addition, indicators present the SfG Program scorings as rated by participating councils.

On our assessment in conjunction with VPA, 91 SfG projects have led to the completion of an entire stage of the Development Chain. Furthermore, another 21 projects have partially completed these stages. Of the 91 projects that led to the completion of a stage:

— 14 projects led to the completion of stage 1
— 46 projects led to the completion of stage 2A
— 20 projects led to the completion of stage 2B
— six projects led to the completion of stage 3
— three projects led to the completion of stage 4
— two projects led to the completion of stage 5.

This equates to the accelerated delivery of 14 completed land use frameworks, 46 pieces of land rezoned, 20 developer / investor contribution plans in place, six planning permits approved, three subdivision plans certified with functional layout plan complete and two completed engineering and detailed designs.

It should be noted that the SfG projects rarely were the sole reason that any given stage was completed, because in most cases there was some pre-existing work on which the SfG projects built or brought forward.

The accelerated delivery of each of these stages will enable the whole Development Chain to be completed faster, thus bringing forward positive outcomes of housing lots delivered, employment, etc.

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[11] Excluding projects with zero funding.

[12] The data supporting this report was collated at a point in time. Since initial data collation, another 19 projects have been approved in the 2018-19 funding round, bringing total projects funded to 188 projects. The report provides analysis on the initial 169 projects.

[13] There has been 52 Metropolitan growth projects and 17 unsuccessful applications.

The valuation model can be used to estimate the value of time savings that have resulted from completing these stages as a whole and for individual stages for specific councils.

Valuing the total estimated time savings

The calculation of the estimated value of the time saved as a result of completing the stages of the Development Chain is straightforward: the calculation requires:

— Allocating the completed stages among the council streams

— For each stage, multiplying the number in each council stream by the relevant value of the time savings in that stage

— Summing the value across stages and council streams.

The assumed distribution of the completed stages across the council streams is set in Table 6.1.

TABLE 6.1   NUMBER OF COMPLETED STAGES BY COUNCIL STREAM AND STAGE

Stage	Metro	Metro Growth	Regional
Stage 1	16	5	26
Stage 2	19	17	41
Stage 3	-	10	1
Stage 4-6	-	14	1

SOURCE: ACIL ALLEN CONSULTING AND VPA ASSUMPTIONS.

Table 6.2 provides the estimated time savings benefits from the SfG projects by Development Chain stage and by council group. These figures should be treated with caution and considered inherently imprecise. They are very sensitive to the assumptions set out in Chapter 2 regarding number of lots, uplift in land values, estimated time savings achieved at each stage and the accuracy with which the model's assumptions reflect the actual circumstances of individual councils and SfG projects.

Greater precision is possible by inserting more accurate assumptions but is beyond the scope of this project.

TABLE 6.2   TOTAL HOLDING COST SAVINGS BY COUNCIL STREAM

Stage	Metro	Metro Growth	Regional
Stage 1	-	$147,241	$516,411
Stage 2	$1,503,582	$44,083,485	$66,125,228
Stage 3	-	$8,292,182	$381,011
Stage 4-6	-	$68,248,857	$735,584

SOURCE: ACIL ALLEN CONSULTING CALCULATIONS.

Having regard to these caveats, the total value of the time savings from the SfG program is the sum of the benefits across all stages and council types as set out in Table 6.2. This produces a point estimate of $190 million which comprises benefits to

— Metropolitan councils of $1.5 million

— Metropolitan Growth councils of $120.8 million, of which $68.2 million come from the post-PSP Stages 3 – 6

— Regional councils of $67.8 million, largely from the savings achieved in Stage 2 through PSPs and other changes.

This picture suggests the post PSP projects may account for around one-third of the total benefits.

We suggest these estimates be characterised as midpoints of a range of +/- 10 per cent of the midpoint.

Apart from the calculation itself, there is a further reason for using the estimates with caution. In our consultations with most councils, and regional councils in particular, it was clear that in many cases significant work was on foot before the councils engaged in the SfG program. This makes it difficult,

despite the very positive feedback on the SfG's catalytic contribution in unlocking council activity, to attribute what portion of the time value is attributable to the SfG specifically. As is clear in Figure 3.3, there are many sub-stages in Stages 1 and 2, and most SfG projects typically addressed specific gaps rather than the stage as a whole. It follows that the time savings from Stages 1 and 2 may need to be further discounted in instances where other council-led actions were already on foot.

Other output indicators

As discussed earlier in the report, the key benefit to industry stakeholders from SfG projects has been to move land faster through the development process, especially Stages 3 – 6. Another impact has been to 'de-risk' the process. Its efficacy in these areas can be measured to some extent by data relating to whether planning permits are accepted and whether they are accepted quickly, within 30 days. Figure 6.2 shows data for planning permits processed each year between 2016-17 and 2018-19. The data are shown in percentage terms to account for the fact that 2018-19 data are incomplete.

The figure shows that planning permits processed in 2018-19 are much more likely to have been approved within 30 days than those submitted in 2016-17 when the average approval time in 2016-17 was 138 days. In 2018-19, it was just 25 days. The likelihood of a given planning permits being rejected may have declined somewhat over the same time period, though the small number of permits in this category and the incomplete 2018-19 data make it difficult to be sure.

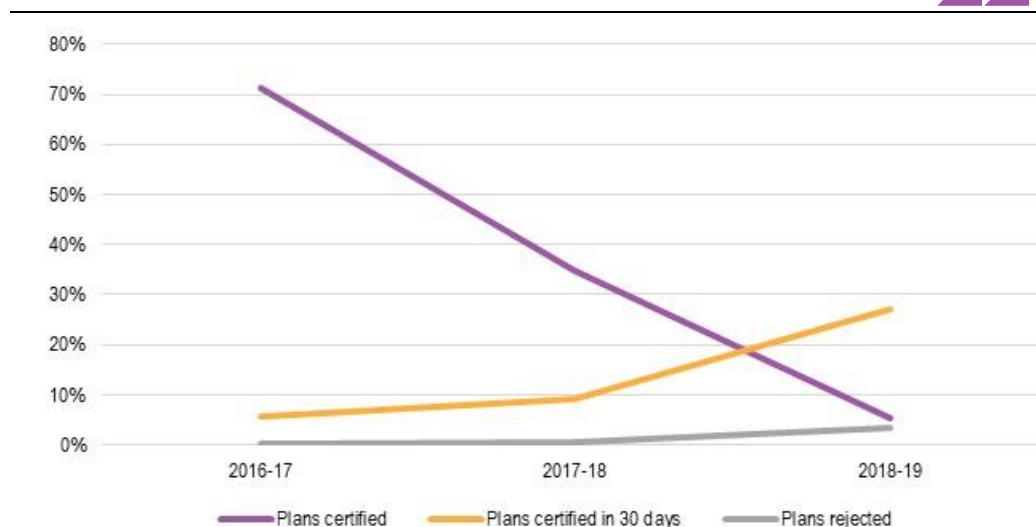**FIGURE 6.2**   PER CENT OF PERMITS APPROVED AND REJECTED
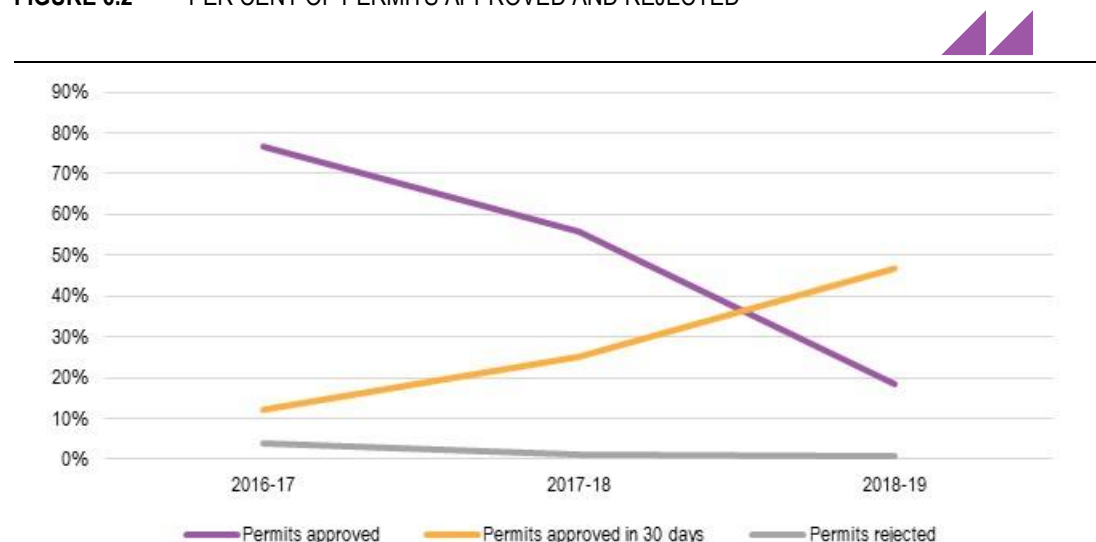
Note: This chart shows average figures for planning permit applications AND planning permit & certification applications. To see the results for each application type, please refer to the dashboard.
SOURCE: SPEAR AND ACIL ALLEN CONSULTING

Another metric of success for SfG is the proportion of Figure 6.3 presents the percentage of plans certified, the percentage certified within 30 days and the percentage rejected in the 2016-19 period. Like planning permits, the percentage plans certified within 30 days has seen great improvement, from about five per cent in 2016-17 to almost 40 per cent in 2018-19[14]. The average certification time in 2018-19 was 35 days, greatly reduced from 249 in 2016-17. The percentage of plans rejected has remained low.

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[14] 2018-19 data only includes three months of data – July to September. The full set of data has only been pulled for a number of councils, specifically: Cardinia, Casey, Hume, Melton, Mitchell, Whittlesea and Wyndham.

FIGURE 6.3   PER CENT OF PLANS CERTIFIED AND REJECTED

Note: This chart shows average figures for certification applications AND planning permit & certification applications. To see the results for each application type, please refer to the dashboard.

SOURCE: SPEAR AND ACIL ALLEN CONSULTING

Improvement in planning permit approval and plan certification times alludes to the benefits of SfG projects within stages 3 and 4 of the Development Chain. SfG assistance to streamline approval processes, clear backlogs or other is reflected in fewer applications sitting in the system and in accelerated approval metrics. With stages 3 and 4 being completed at a faster pace, stages 5 and 6 can be started earlier than otherwise.

Several metrics can be ascertained from council survey results[15]. Metrics are scored by the participating councils. Scores have been calculated as an average out of five with one being the lowest and five being the highest. All metrics have high scores indicating that participating councils experienced the following as a result of the SfG Program:

— improved capacity and / or skills – score: 4.24/5
— streamlined council planning processes – score: 3.26/5
— accelerated project timing and delivery – score: 4.1/5.

Participating councils also rated their satisfaction with the results of the SfG Program. Overall, councils were 'satisfied' to 'very satisfied' with the SfG Program (score: 4.4/5).

6.1.3   Outcome indicators

Outcome indicators present the combined time and cost savings accrued by all SfG projects. Estimated time savings amount to around 119 years. That is, the SfG Program has decreased the time taken for all 169 projects (across all council streams) to pass through the Development Chain by 119 years. This time saved translates to an estimated holding cost saving of approximately $190 million and an overall benefit-cost ratio of 8:1.

6.2 Qualitative measures

Several measures do not, for various reasons, lend themselves to plausible quantification. From its inception, the SfG Program was intended to accelerate the supply of housing blocks to meet the demand for new housing in Melbourne. Given the shortcomings of the available data it is not possible to estimate the one-off value of bringing forward, by several months, the employment contained within the successful projects. These elements, as well as the increased land and employment brought

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[15] Council survey results are only available for projects started within 2016-17. 22 councils completed this survey.

forward by the more efficient process are subsumed in the benefit to developers of the time savings through more efficient approval process.

It is not possible on available information to estimate the induced additional supply of building blocks and employment from developers that respond to the simpler regulatory arrangements that would apply to developers once the SfG projects have had their effect.

Red tape savings can be estimated through a combination of one-off time savings to developers from the SfG projects together with the ongoing value of process simplification or other efficiency changes that persist beyond their initial effect. The SfG projects are mostly one off in terms of their impact except for the post-PSP projects of which there are few.

To simplify the estimation of red tape savings we have confined attention to Stages 3 – 6, which are the post-PSP SfG projects. We suggest that this would be reasonably also regarded as red tape savings as they principally arise from time savings from cutting queues and process improvements. The beneficiaries from these time savings are developers and, ultimately new homeowners. These savings mostly accrue in the Metropolitan Growth council group and are estimated to be of the order of $69 million +/- 10%.

It has been suggested that the SfG Program will contribute to improved housing affordability. While this is correct in principle, the benefit is contained within the value of time savings going to developers from the SfG projects. The distribution of this benefit between lower prices to intending home buyers and the additional surplus retained by developers is unclear inasmuch as developers can choose the to pass on part or all of their benefit to homebuyers. Over time competition will for the building blocks will see the value of the time savings passed through to new homeowners.

In addition to time savings, stakeholders advise that completion of Stage 1 materially improves the probability of success in Planning Scheme Amendments in Stage 2. In particular, such amendments are far less vulnerable to challenge by third parties and the community, providing the strategic framework is robustly based on analysis and extensive consultation with the community and stakeholders.

6.3 Conclusion

This report has set out a framework and model for evaluating the Streamlining for Growth program. The framework is based on a combination of data sources, the development chain and assumptions to enable the valuation of benefits, principally to developers, from time savings from improvements such as streamlined post PSP process and robust council strategic planning frameworks.

This framework may assist the VPA in decision-making on future SfG project applications by estimating their potential value. In addition, the model's assumptions can also be altered for that and other purposes to reflect more accurately the specific circumstances of councils and proposed SfG projects using more detailed information. These areas of future development are for the VPA to pursue.

STAKEHOLDER CONSULTATIONS

A

As part of the development of the evaluation framework for the SfG Program, ACIL Allen undertook informal consultations with a limited number of stakeholders during January-April 2019. The stakeholders consulted are outlined in Table A.1.

TABLE A.1 STAKEHOLDER CONSULTATIONS

Organisation consulted	Date
Victorian Department of Environment, Land, Water and Planning (DELWP)	24 January 2019
Urban Development Institute of Australia (UDIA)	24 January 2019
Property Council of Australia (PCA)	24 January 2019
Housing Industry Association (HIA)	24 January 2019
Association of Land Development Engineers (ALDE)	24 January 2019
Stockland	24 January 2019
Victorian Department of Treasury and Finance	25 January 2019
Casey City Council	1 February 2019
Cardinia Shire Council	1 February 2019
Hume City Council	7 February 2019
Wyndham City Council	8 February 2019
Greater Bendigo City Council	15 April 2019
Moorabool Shire Council	15 April 2019
Greater Shepparton City Council	15 April 2019

SOURCE: ACIL ALLEN CONSULTING

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