

Guide for using the

Project Priority Assessment Tool

for potential regional Initiatives or projects in

Melbourne East



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1. Executive summary

In 2015, the Deputy Prime Minister provided the nation's 55 RDA Committees with an 'economic supplement'. Melbourne East RDA Committee agreed to apply this funding to develop a Tool to assess the priority projects for Melbourne East based on the economic impact that project/initiative and/or infrastructure investment (public or private) would add to the regional economy's competitive and comparative advantage, alongside the ease of implementation of the project.

Regional partners and the RDA ME had a clear understanding and evidence of the Melbourne East economy as a result of the outputs of the 2015 Melbourne East Investment Attraction Strategy project. The subsequent report, Melbourne East Investment Prospectus and Strategy 2020 identified the region's comparative and competitive value proposition.

It is this unique value proposition that has formed the evidence-base for the development of an independent and objective Melbourne East Priority Project Assessment Tool. New investment needs to leverage the region's amenity and the human capital of the population, the Melbourne East economic strength in international education, high tech, professional services, health and R&D, and workforce development potential associated with future industries.

Regional partners, potential investors and businesses can apply this Tool to assess the value of an investment, project, initiative or infrastructure development within Melbourne East. The Tool contains a suite of economic impact criteria for the region, including the increasingly important 'ease of implementation' perspective.

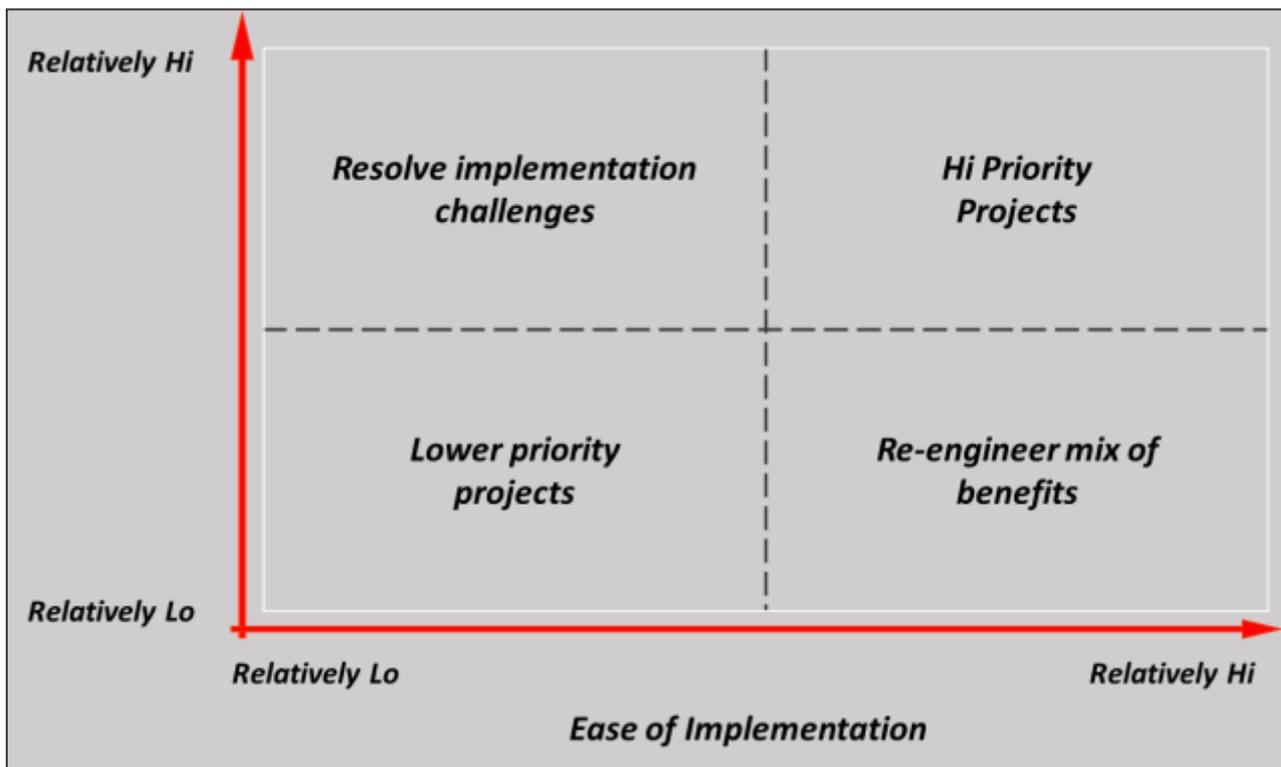
It is a valuable resource to inform regional economic development priorities, agree a list of projects to drive regional economic development, identify targeted investment opportunities, and contribute to strategic planning at all levels of government.

For Melbourne East it is a regional 'lens' through which project proposals may be assessed with transparency for all parties.

For the Eastern Metro Councils, state and federal governments, the RDA Melbourne East, and businesses, it provides an opportunity to be smart about what type of private and public investment is promoted for the region.

2. Guidance on how to use the Melbourne East Project Priority Assessment Tool

The graph below depicts the four quadrants for assessment of proposals – the ‘y’ axis scores the economic impact from low to high and the ‘x’ axis scores the ease of implementing the proposal.



“Potential projects will vary according to their impact on economic growth in Melbourne East, and the capacity of the project to add value to the regional comparative advantage”

Projects must be assessed for their ‘regional impact’ – however it is important to recognise that large-scale major impact projects can take some years to realise, and regional priorities will reflect a mix of short, medium and longer term initiatives.

There will be regional projects that will be of high economic impact, and therefore high priority, but score poorly in terms of the ‘ease of implementation’ due to e.g. lack of business case, or if a major project, it may not be ‘Department Treasury and Finance ready’.

In such an instance, an interim project may be the appropriate option, whereby the short term initiative is to access funding for a formal business case, and the medium/longer term initiative will depend on the outcome of that business case.

Another assessment may result in a low priority project being very ‘easy to implement’ – in this instance, it may be a case of ‘re-engineering’ the mix of benefits to increase the capacity for regional economic impact.

The next section describes and explains the criteria used to assess both economic impact and ease of implementation.

3. Economic Assessment Criteria 2016¹ for the Melbourne East

The Melbourne East Project Priority Assessment Tool considers potential projects and/or initiatives with respect to their likely impact on attracting investment and enabling capacity for economic growth, as well as the level of implementation readiness and/or challenges

The criteria for each of these areas is explained in the following table, and from the perspective of ranking a project and/or initiative, increased weighting is applied for those projects and/or initiatives that align with the Melbourne East comparative advantage (as described in the ME Investment Prospectus and Strategy 2020)

Economic Impact Criteria – Defined	Implementation Criteria - Defined
<p><i>Investment</i> The project will grow the opportunities for additional (private, public, and/or NFP) sector investment in ME and foster collaboration that enables greater leverage of the investment being made in ME</p> <p><i>Innovation</i> The project will foster improvement in ME key capabilities that adds value to the ME economy, industry and/or the public sector</p> <p><i>ME Exports</i> The project supports a growth in ME exports and/or improved access to export markets, and/or access to new markets, and/or improved ME industry export capability</p> <p><i>ME Employment</i> The project generates increased employment particularly in the sectors that underpin ME's comparative advantages and will contribute to the MEIAS target of an additional 4,000 jobs in the ME economy per year</p> <p><i>ME Workforce</i> The project will generate opportunities for the development of ME workforce capability and in particular in those sectors that are key to ME comparative advantages</p> <p><i>ME Reputation</i> The project will support the growth of ME's reputation for being a leading region for investment and investors</p> <p><i>Local Expenditure</i> The project will foster opportunities for increased local expenditure and/or greater levels of import replacement in ME</p> <p><i>Liveability & Amenity</i> The project will contribute to improving ME amenity and liveability including improvements in connectivity, access to services and vocational opportunities and the attractiveness of the built environment</p>	<p><i>Business Case</i> The project has a feasibility study and/or business case that, has been adopted by key stakeholders, and that demonstrates clear needs, benefits and impacts – this is of particular importance there is a requirement for a DTF Business Case</p> <p><i>Planning approvals, permits & regulations</i> The project has required planning approvals, permits and/or regulations (if such approvals are required)</p> <p><i>Investor Commitment</i> Public and/or private entities are willing to invest in the project</p> <p><i>Alignment with other Strategic Priorities</i> The project is consistent with other regional aspirations and/or Government priorities</p> <p><i>Government Funding Requirements</i> The project requires a commitment of additional Government funding</p> <p><i>Political Advocacy</i> The project is supported by, and advocated for, by Councils and political representatives</p> <p><i>Business Demand</i> There is evidence of wide demand for the project from regional industry</p> <p><i>Community Support</i> There is evidence of support for the project from the regional community</p> <p><i>Project Commencement</i> The project is shovel/tender ready and will deliver outcomes within the next 3 years</p>

¹ Labelling the criteria as 2016 allows opportunity for evolution of the criteria as the regional economy changes

4. Assessing the economic impact of a project on regional comparative advantage and/or economic growth

Criteria for Melbourne east	Relative Weighting	Assessment Scores			
		0 – 1	2 - 4	5 – 7	8 – 10
Employment	25	Generates no/little employment	Generates some employment in sectors that are not critical to ME comparative advantages	Generates *significant employment of which the majority is in sectors not critical to ME comparative advantage and some employment in sectors that are critical to ME comparative advantages	Generates significant level of employment in sectors that are key to ME comparative advantage i.e. high value jobs that generate prosperity for the region <i>*Note = significant contribution to MEIAS annual jobs growth target</i>
Investment	20	No/minimal opportunities for additional investment will be created	Some opportunities for additional investment will be created	Generates significant opportunities for additional investment and reinforces existing collaboration within the region	Generates considerable opportunities for additional investment and grows opportunities for effective collaboration within the region and beyond
Innovation	10	Adds no/little to ME's comparative advantages	Generates some efficiencies in the operation of existing capabilities	Generates significant efficiencies in the operation of existing capabilities	Adds significant new capability and/or value to ME's comparative advantages and in particular the high value industry sectors identified in the MEIAS
Exports	10	Enables no/little growth in exports	Enables some growth of existing exports to existing markets	Enables substantial growth of existing exports to existing markets and/or growth of regional industry's export capability	Enables significant considerable export growth in existing markets, , access to the development of new export markets and/or a significant growth of regional industry's export capability
Reputation	10	No/little impact on ME's reputation	Reinforces ME reputation to ME region and existing investors	Grows ME's reputation outside of the ME region to other domestic markets and to new investors	Significantly extends ME's reputation to domestic markets and into international markets and new investors
Local Expenditure	10	No/little impact on local expenditure	Enables some extension of local supply chains	Enables substantial extension of local supply chains and expands in regional industry's awareness of local supply opportunities	Enables considerable extension of local supply chains – including a significant level of import replacement, and substantially widens regional industry's awareness of local supply opportunities
Liveability & Amenity	10	No/little impact on improved liveability and/or amenity, and/or connectivity	Supports some improvement in access to regional services	Enables some improvement in connectivity, the built environment, access to regional services and/or regional employment opportunities	Enables considerable improvement in connectivity, the built environment, access to export markets, regional services and/or regional employment opportunities
Workforce Development	5	Generates no/little opportunities for change in workforce capability	Improves access to workforce training opportunities	Generates significant opportunities for development of current workforce capability	Enables significant opportunities for development in of future workforce capability requirements
	100				

5. Guidance on how to score the economic impact of regional projects

General guidance - *Attributing an 8+ score against any of the economic impact criteria for a project is recognition that the initiative has the capacity to drive outcomes that represent an extraordinary level of value relative to other projects or initiatives.*

How to score investment impact

INVESTMENT	
Enabling additional investment	The key focus is the potential of the initiative to enable and/or stimulate investment beyond that directly associated with the project itself – i.e. make other initiatives/projects/investments possible. Therefore, the scoring for the “Investment” needs to understand the value of the *initiative and the value of the additional investment(s) it enables
Value of additional investment	<p>A key to understanding the value of the additional investment is to identify the :-</p> <ul style="list-style-type: none"> <input type="checkbox"/> industry sector(s) in which the investment will occur <input type="checkbox"/> level of output that would be associated with the investment - output represents the gross revenue, or total sales, or total income that would be generated by the investment. <input type="checkbox"/> Impact on employment, value adding and/or wages and salaries in the regional economy that would be created by the level of output associated with the investment(s)
	<p>The Melbourne East REMPLAN Economic Model can be used to identify how an increase in output will have flow-on impacts on the ME economy – for example an investment of \$20M in the regional :-</p> <ul style="list-style-type: none"> <input type="checkbox"/> Manufacturing sector will generate an additional 71 jobs (direct and indirect) <input type="checkbox"/> Health sector will generate an additional 272 jobs (direct and indirect)

***Note** *Consistent with most funding programs the employment that may be created by any construction associated with the project is of interest but not at the core of the value being determined*

How to score innovation impact

INNOVATION	
Developing new capability	The focus is on the creation of opportunity and/or capability that does not exist at present, or its current level of influence is negligible
Foster growth	<p>To score highly – i.e. an 8+ - the capability that emerges, or becomes more potent through innovation should foster growth. Such growth could be in a range of areas that are strategically important to the Melbourne East and that are reflected in the other criteria used to determine impact for example</p> <ul style="list-style-type: none"> <input type="checkbox"/> Investment attraction <input type="checkbox"/> Export capability <input type="checkbox"/> Workforce development <input type="checkbox"/> B2B engagement <input type="checkbox"/> Leveraging connectivity, soft and hard infrastructure, e.g. business precinct growth
Value of growth	The value of the innovation will be reflected in a range of economic outcomes including increased outputs, value-adding, exports and/or local expenditure (or reduced regional imports). A lift in any of these will result in an increase in employment and all can be assessed using the ME REPLAN Economic Model. The focus is about more than increasing the efficiency of what currently do, it is about generating new capability that generates new opportunities.

How to score the impact on exports

EXPORTS	
Export capacity	The focus is on growing regional businesses' capacity to export and therefore the value of regional exports. A project that would impact the ability of more businesses to generate more exports would be seen to high value to the region
Market presence	In addition to export capacity, a project that creates or expands the regional presence of in key export markets also represents high value for the Melbourne East
Value of exports	<p>The export impact of the project also needs to consider the value, or level of actual export growth, achieved. At present, the Melbourne East 4,300+ manufacturing businesses generate around \$13.46B of exports or, on average, around \$3M in exports per business. The remaining 101,000 plus businesses generate around \$9.86B of exports or, on average, around \$97K of exports per business.</p> <p>Given the above data, setting a universal “hurdle” of dollar value in exports to achieve in order to score 8+ would be incredibly challenging, or under whelming, for different businesses from different sectors. Therefore, the size of the export growth needs to be in the context of the sector in which it is occurring.</p> <p>The Melbourne East REMPLAN Economic Model can be used to determine the relative value of exports/businesses across the industry sectors in the regional economy</p>

How to score employment impact

EMPLOYMENT	<i>High impact scores for employment are reserved for those projects that will reinforce comparative advantage and build regional prosperity</i>
Growth	The Melbourne East Investment Attraction Strategy seeks to grow employment in the regional economy by some 4,000 jobs per year. Much of this employment will happen through the growth in the demand for goods and services that will be generated by the region's increasing population. The number of jobs created/or enabled by a project needs to be considered in the context of this target.
Comparative Advantage Sectors	The focus of the employment criteria is on growing employment in those sectors that are integral to the regional comparative advantage including the advanced manufacturing, health, education and professional services sectors
Prosperity	<p>The Melbourne East REMPLAN data can be used to calculate the average wage & salary associated with employment in difference sectors - for example, the average value of wages & salaries for a job in the:-</p> <ul style="list-style-type: none"> <li data-bbox="398 868 853 900">□ “Manufacturing” sector is \$74K <li data-bbox="398 967 853 999">□ “Other Services” sector is \$46K

How to score impact on local expenditure

LOCAL EXPENDITURE	<p><i>The focus is on projects that would</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> <i>Facilitate and/or support a higher level of B2B activity within the regional economy.</i> <input type="checkbox"/> <i>Extend the length of value chains within the regional economy</i> <input type="checkbox"/> <i>Grow awareness of opportunities for import replacement that relate to the sectors of comparative advantage for the Melbourne East</i> <p><i>We are looking for projects that score highly on at least two of the criteria below. The value of the increase in local expenditure and/or import replacement that is generated needs to be understood in the context of the sector(s) involved</i></p>
Levels of expenditure	<p>Sectors vary in the local expenditure they generate, for example:</p> <ul style="list-style-type: none"> <input type="checkbox"/> 4,300 plus manufacturing businesses expend, on average, more than \$2M on local goods and services per business <input type="checkbox"/> 1,500 plus education entities expend, on average, more than \$620K on local goods and services per entity <input type="checkbox"/> 17,800 plus construction businesses expend, on average, more than \$310K on local goods and services per business <input type="checkbox"/> 15,700 plus professional services businesses expend, on average, more than \$213K on local goods and services per business <input type="checkbox"/> 7,100 plus health entities expend, on average, more than \$200K on local goods and services per entity <p><i>Projects would need to understand the value of any increase in local expenditure in the context of the sectors involved, i.e. a project that scores highly would be one that enables increased local expenditure in the relevant sector, beyond that which is expected or average</i></p>
Level of imports	<p>Sectors vary in the value of imports they generate, for example:</p> <ul style="list-style-type: none"> <input type="checkbox"/> 4,300 plus manufacturing businesses expend, on average, more than \$3.6M on imports per business <input type="checkbox"/> 1,500 plus education entities expend, on average, more than \$217K on imports per entity <input type="checkbox"/> 17,800 plus construction businesses expend, on average, more than \$60K on imports per business <input type="checkbox"/> 15,700 plus professional services businesses expend, on average, more than \$56K on imports per business <input type="checkbox"/> 7,100 plus health entities expend, on average, more than \$38K on imports per business <p><i>Projects would need to understand the value of import replacement, particularly in those of comparative advantage for Melbourne East</i></p>

6. Assessing the ease of implementation of a regional initiative

Criteria	Relative Weighting	Rating Scores				
		0 – 1	2 – 4	5 – 7	8 – 10	
Investor Commitment	20	There is no investor interest	Potential investors have been identified	Potential investors have been identified and have indicated interest in the project	Investors are committed to make funds available	
Planning approvals, permits & regulatory requirements	15	Approval(s) will be required – no approval submissions are in place	Approval submissions in place – project will require significant rezoning and/or ministerial approval – approval is not assured	Approval submissions in place – high likelihood that planning approval will be provided	8/9 Approvals are imminent	10 All approvals are in place
					<u>OR</u>	
					Project does not require any approvals	➔ 10
Business Case	15	No business case or feasibility studies have been undertaken	The project's key proponent has completed a feasibility study that indicates that some opportunities to support the delivery of regional priorities and a growth in investment	A business case has been completed and: <ul style="list-style-type: none"> is supported by all key regional stakeholders demonstrates significant opportunities for increased regional investment and economic growth ----- The project will requires funding for a DTF business case	8/9 A DTF Business Case is being undertaken	10 A DTF Business Case is in place'
					<u>OR</u>	
					A DTF Business Case is not required Business Case does demonstrate considerable opportunities for increased regional investment and economic growth	➔ 10
Government Funding Required	15	Project does not have Government Funding commitment	Project has pre-commitment of funding from at least one tier* of government	Project has pre-commitment of funding from two tiers* of government *Tiers = Local, State, Commonwealth	Project has pre-commitment of funding from all tiers* of government	
					<u>OR</u>	
					Project can proceed without any additional government funding	➔ 10
		Project has no/little strategic alignment with other relevant regional, State and/or Commonwealth economic development priorities	Project has some alignment with other regional strategic priorities	Project is highly consistent with the ME Investment Prospectus and Strategy 2020 and addresses some State economic development priorities	Project is highly consistent with ME Investment Prospectus and Strategy 2020, Plan Melbourne priorities, State and Commonwealth Government's economic development priorities	

Criteria	Relative Weighting	Rating Scores			
		0 – 1	2 – 4	5 – 7	8 – 10
Political Advocacy	10	ME based political representatives have no/little interest in the project	Councils and State political representatives are supporting the submission for the project and/or funding	Councils and State political representatives are advocating for support and/or funding of the project	Councils, State and Federal representatives, including relevant Ministers, are supportive of the project, and advocating for funding
Business Demand	10	There has been no engagement of regional industry/regional industry has not expressed support for the project	Regional industry has been engaged and there is interest from some businesses	Regional industry is broadly aware of the project; and there is support from businesses in many sectors and/or locations	A quantifiable number of businesses and industry associations from a wide range of industry sectors across the region recognize the value that the project can deliver and are demanding for it to be undertaken
Project Commencement	10	There is no clear timeframe for project commencement	Project is unlikely to commence within the next 3 years	A number of elements of the project will commence within the next 3 years with some deliverable being completed within the next 3 years	Project is shovel/tender ready, commencement is imminent and a number of deliverables will be completed within the next 3 years
Community Support	5	There are significant levels of community opposition to the project	The community is seeking a number of changes to project ahead of providing support	There is support for the project from the communities that are nearby the project's location	There is wide support for the project from communities in a many locations throughout the region
	100				

8. Cyclical process to support emerging regional priorities and assessment of regional projects

	2016	2017	2018	2019	2020
Regional project underway or ready to commence, i.e. it is scheduled and funded	Update communications	Update communications, plan for procurement	Update communications, plan for procurement	Update communications, plan for procurement	Update communications, plan for procurement
Forward planning					
Update list of potential projects and assess their priority using the Economic Impact Assessment Tool	Review/update regional priorities	Review/update regional priorities	Review/update regional priorities	Review/update regional priorities	Review/update regional priorities
Projects that require partnerships/collaboration/advocacy					
Feasibility study required for project to proceed	Agree project scope and budget	Undertake feasibility study			
		Agree project scope and budget	Undertake feasibility study	Advocate for support of project	If successful, commence project
			Agree project scope and budget	Undertake feasibility study	Advocate for support of project
Formal business case required for project to proceed	Advocate for support of project and \$s for business case	Secure funding for business case	Undertake business case	Advocate for support of project	If successful, commence project
		Advocate for support of project	Secure funding for business case	Undertake business case	Advocate for support of project
			Advocate for support of project	Secure funding for business case	Undertake business case
Major funding required for project to proceed			Preliminary business case	Advocate for support of project and \$s for formal business case	Advocate for support of project
				If successful, commence formal business case	Secure budget such that project may commence

9. Request for support for potential regional project

Objective of regional project

Please articulate the objective of the project and how it would add value to the delivery of the Melbourne East Regional Plan 2020

Strategic context local, state & federal – challenges, opportunities, risk

How does the potential project align with the strategic direction of all levels of government?

Deliverables

What will the outputs of the project be?

Consultation

With whom have you consulted in the process? What were the responses received?

Outcomes

What are the outcomes for the Melbourne East regional economy as a result of the implementation of the project?

Benefits

What are the benefits to business and community as a result of the project?

Recommendations

What needs to happen next?

Authorisation and/or support for the project

Approved

Approver name

Approver title

Prepared by: **Author**
Role

Telephone:

