

**NOTES ON ADMINISTRATION**

**For the**

**NATION BUILDING PROGRAM**

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**For projects funded under  
Parts 3 and 6 of the  
*Nation Building Program (National Land Transport) Act 2009*  
where payments are made directly to a State, an authority of a State  
or any other body corporate**

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**ISSUE DATE**

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## **1 INTRODUCTION**

### **1.1 Status of the Notes**

If any requirements in these Notes of Administration (Notes) are inconsistent with the terms of the *Nation Building Program (National Land Transport) Act 2009* (the Act) or the *National Partnership Agreements on Implementation of Major Infrastructure Projects* or the *National Partnership Agreements on Implementation of the Nation Building Program* or the *Memorandum of Understanding between the Commonwealth of Australia and Australian Rail Track Corporation* (collectively MOUs), the Act and MOUs will, to the extent of the inconsistency, prevail.

### **1.2 Scope of the Notes**

These Notes are focused on the appraisal, approval and administration of projects in the Nation Building Program. These Notes set out the administrative processes that support the implementation of projects in the MOUs funded under Parts 3 and 6 of the Act where payment is made directly to a State, an authority of a State or any other body corporate.

The Notes on Administration:

- describe the framework for consideration, approval and funding of projects including associated terms and conditions;
- set out the administrative processes that Proponents must follow when developing and submitting project proposals;
- set out the administrative processes that funding recipients must follow to claim payments, seek variations to project approvals and comply with the terms and conditions of funding; and
- describe the arrangements and processes associated with maintenance funding for the road component of the National Land Transport Network.

### **1.3 Definitions of terms used in the Notes**

The definitions in Section 4 of the Act apply to these Notes. Other terms used in these Notes are defined in Table 1.

**Table 1: Definitions of terms used in the Notes**

<b>Term</b>	<b>Definition</b>
(the) Act	<i>Nation Building Program (National Land Transport) Act 2009</i>
Base Case	The Base Case consists of whatever would be done in the absence of any new initiative being proposed. It is rarely the same as the 'do-nothing' scenario
BCR	Benefit Cost Ratio
(the) Construction Code	National Code of Practice for the Construction Industry
Delivery Phase	Procurement, construction and commissioning of the preferred option
Department	The Australian Government Department of Infrastructure, Transport, Regional Development and Local Government responsible for the administration of the Act
Development Phase	Detailed planning (such as environmental approvals, land acquisition, community consultation) and design (such as field studies, preliminary/detailed design, quantity estimates) of the preferred option to take it to the point where tenders can be called for its delivery
Funding recipient	A Proponent for a project following funding approval under the Act
IBCR	Incremental Benefit Cost Ratio
Implementation Guidelines	Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry
IMS	The Infrastructure Management System (previously known as APMS) which is used to manage project payments and reporting
Minister	The Australian Government Minister administering the Act
MOUs	National Partnership Agreements (as defined below) and the <i>Memorandum of Understanding between the Commonwealth of Australia and Australian Rail Track Corporation</i>
National Guidelines	National Guidelines for Transport System Management endorsed by the Australian Transport Council in November 2006
National Network	National Land Transport Network determined by the Minister under Part 2 of the Act
National Partnership Agreements	National Partnership Agreements on Implementation of the Nation Building Program (Tas, ACT) National Partnership Agreements on Implementation of Major Infrastructure Projects (NSW, Vic, QLD, WA, SA, NT) These are Memoranda of Understanding between the Commonwealth of Australia and a State providing the basis for a collaborative partnership approach to implementation of Major Infrastructure Projects and the Nation Building Program
National Project	A project approved by the Minister under Subsection 9(1) of the Act

<b>Term</b>	<b>Definition</b>
NPV	Net Present Value
Off-Network Project	A project approved by the Minister under Subsection 53(1) of the Act
Proponent	A State, an authority of a State or any other body corporate that submits a project proposal for Australian Government funding
(the) Scheme	The Australian Government Building and Construction OHS Accreditation Scheme
Scoping Phase	The specification of requirements and investigation of options to achieve the desired outcome
(the) Standard	The Best Practice Cost Estimation for Publicly Funded Road and Rail Construction Standard
WBS	Work Breakdown Structure

## 1.4 Department contacts

The principal contacts in the Department for Nation Building matters are:

### **Road projects—Queensland, the Northern Territory, Western Australia and South Australia:**

General Manager, North West Roads Branch (02) 6274 6424

### **Road projects—New South Wales, the Australian Capital Territory, Victoria and Tasmania:**

General Manager, South East Roads Branch (02) 6274 8222

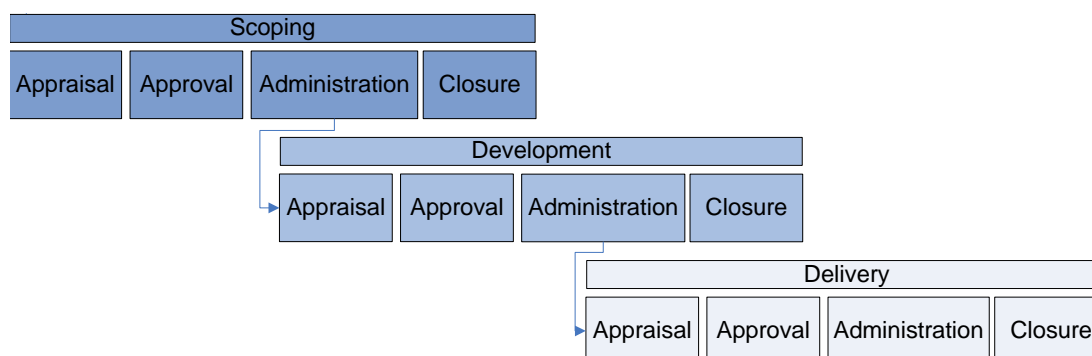
### **Rail projects:**

General Manager, Rail and Intermodal Branch (02) 6274 8047

**Postal Address:** Level 5, GPO Box 594, CANBERRA ACT 2601

## 2 PROJECT ADMINISTRATION OVERVIEW

### Overview Process Map



### 2.1 The administrative process

The Notes set out the Department’s lifecycle within each phase of a project. The administrative process, set out in these Notes, starts with development of a Project Proposal Report (PPR) by the Proponent. The intent of the PPR is to gather sufficient information on the planned approach and project scope to enable the Minister to approve the project under the Act.

The initial PPR would normally be for the Scoping Phase unless a different source of funding has been used for Scoping activities. Proponents are encouraged to liaise with the Department and seek guidance or input as required during development of the PPR.

The Department will appraise the PPR, requesting additional information where necessary, and use this information to advise the Minister to support the decision to approve (or otherwise) the project.

The funding recipient is required to submit monthly progress reports for the approved project. Project payments are linked to the Department’s acceptance of the monthly progress reports.

Funding recipients are also required to submit annual reports in line with the requirements specified in the Appendices to the Notes.

When a project is completed it is closed and acquitted in the manner specified in Section 6 of the Notes.

## **2.2 Accountabilities and Responsibilities**

### **Proponent**

For each project covered by these Notes, a Proponent must:

- Submit a PPR as required, detailed within Appendix A: Project Proposal Report (PPR)
- Procure and deliver projects within the constraints of the agreed scope and funding conditions
- Comply with reporting requirements set out in these Notes, including formal project closure
- Provide sufficient information, as directed by the Department, to support demonstration of appropriate use of public funds

### **Department**

The Department must:

- Evaluate projects to determine eligibility and suitability for funding approval
- Provide recommendations to the Minister as to which projects should be approved or varied
- Notify the Proponent of approval of projects
- Monitor spending and project progress against project plan submitted with the PPR
- Release payments based on compliant reporting of acceptable project progress
- Report to the Australian Government as appropriate, on project progress and achievement of outcomes
- Comply with the legislative requirements of the Act

## **3 PROJECT APPRAISAL AND DECISION MAKING FRAMEWORK**

The Act establishes the legal framework and the conditions through which projects are approved as part of the Nation Building Program.

### **3.1 Scope of a project**

For the purposes of administering the Nation Building Program, a project is a discrete road or rail construction project as identified in the MOUs or annually approved program. Each such project will be subject to the administrative processes set out in these Notes.

Should a Proponent wish to combine projects for appraisal and administration purposes, this must be agreed with the Department prior to submission of a PPR. The Department will consider each case on its merits including any changes to the risk profile of the projects through their combination and benefits created by so doing. Factors the Department may consider include, but are not limited to, cost savings, earlier completion dates, impact on job creation and other economic benefits.

### **3.2 Project phases**

Unless specifically identified below, all funded projects should be considered in three phases: Scoping, Development and Delivery as defined in Section 1.3. A PPR must be submitted for each phase as per the template at Appendix A, noting that the information requirements are different for each phase.

Project phases may be combined into a single PPR, subject to agreement with the Department prior to submission, where the estimated total project cost is less than \$50 million and determined low risk, or where scope and timing by their very nature are better appraised as a whole.

### **3.3 Project approval process and criteria**

All projects approved under the Nation Building Program require assessment against relevant parts of the Act and approval in writing from the Minister prior to any payments being released.

The approval may only be given if the Minister is satisfied that the project is eligible for approval and considers that it is appropriate to approve the project.

The inclusion of a project in the Nation Building Program reflects the Australian Government's commitment to the objectives of the project but this does not obviate the need for Ministerial approval of a specific project proposal to achieve those objectives.

The matters to which the Minister may have regard in deciding whether it is appropriate to approve a project are set out in the Act and include, but are not limited to, the following matters:

- a) the National Land Transport Plan;
- b) any relevant Corridor Strategy;
- c) the extent to which the project will improve the efficiency, security or safety of transport operations on the National Land Transport Network;
- d) the results of any assessment of the economic, environmental or social costs or benefits of the project;
- e) any other transport or land use plans that might be relevant to the project;
- f) the extent to which persons other than the Australian Government propose to contribute funding to the project.

### **3.4 Project information requirements**

The Department has developed a PPR template to facilitate the gathering of information to support the Minister's decision to approve a project. Proponents seeking funding for Nation Building Program projects will therefore be required to lodge a PPR in line with the requirements outlined at Appendix A.

#### **3.4.1 Best practice cost estimation**

The Department has adopted the *Best Practice Cost Estimation for Publicly Funded Road and Rail Construction* (the Standard) developed by Evans & Peck in June 2008. The Standard must be applied when preparing cost estimates for projects for which Australian Government funding is sought under the scope of these Notes.

The Standard is particularly important in the early phases of a project, particularly where there is uncertainty as to the project's preferred course, scope definition, implementation program and outturn costs.

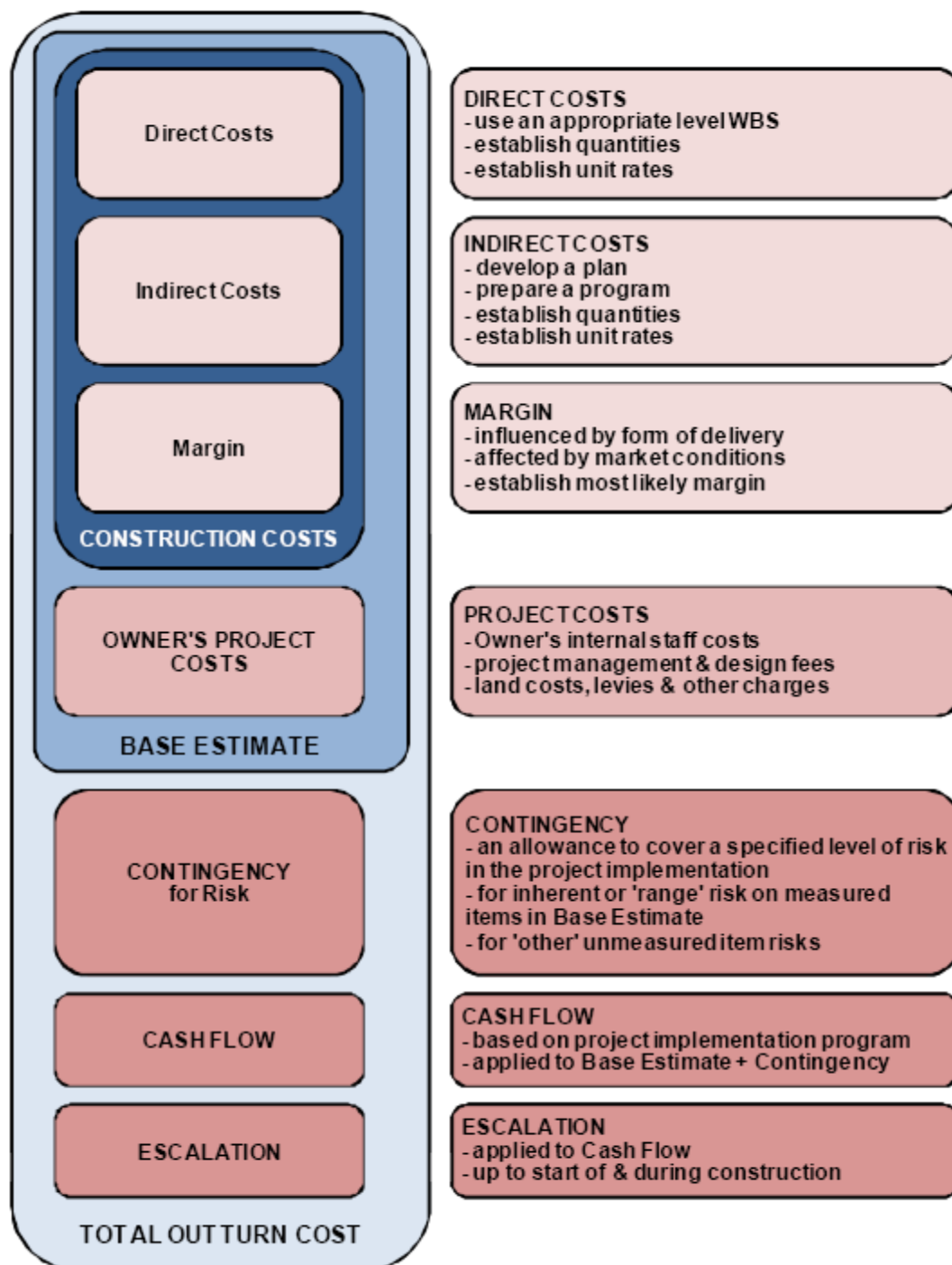
Copies of the Standard are available on the Department's website, see: <http://www.nationbuildingprogram.gov.au/whatis/legislation/index.aspx>.

Proponents can use their own documentation and governance processes but must provide cost estimations in a structure consistent with the Standard. The Department requires all outturn cost estimates from Proponents to be reviewed and approved in accordance with the Proponent's documented processes. The Department may periodically seek access to Proponent's more detailed cost estimation documentation.

Under the Standard, there are four main components of the project outturn cost estimate:

- 1) Base estimate (construction and owner costs);
- 2) Contingency allowance;
- 3) Cash flow determination; and
- 4) Escalation.

**Outturn Cost Estimate Structure**



### **3.5 Notification of project approval**

The funding recipient will be advised when a project is approved or varied, or if it is not approved. Any project specific arrangements agreed between the Department and the funding recipient in the context of the project approval or variation will be set out in correspondence. Specific transport performance indicators for each project will also be agreed in writing based on the information supplied by the Proponents in the PPR.

### **3.6 Changes to cost or scope of a project**

The MOUs acknowledge that there may be a need from time to time to vary some project particulars. This might be necessary as the project is further developed and refined or in response to planning approval conditions.

Before any consideration is given to increasing funding for projects, the funding recipient must reconsider the scope and construction design being proposed for a project to reduce project costs. Such reconsideration will include, in particular, the likely implications of the proposed change for the objectives identified for a project and the project's costs and benefits.

Resulting project delivery options, including a preferred option, must then be presented to the Department through a formal proposal for variation including option scoring on economic, environmental and social performance where available. An option evaluation summary as contained within the PPR (see Appendix A, Section E) must also be completed and assumptions made in comparing options stated.

As total project funding to each State or body corporate under the Nation Building Program from 2008-09 to 2013-14 is capped, the State or body corporate must also identify savings in relation to other projects within the Nation Building Program. These may be changes in the delivery timetable or decreases in the required Australian Government funding contribution for other projects. If no such cost offset is proposed, or the Department finds the proposed delays unacceptable, the project variation may be rejected.

## **4 FUNDING CONDITIONS**

Projects are subject to funding conditions from a number of sources:

- 1) The Act;
- 2) Memoranda of Understanding;
- 3) Funding agreements (where entered into); and
- 4) Project-specific requirements.

Projects must also comply with other relevant Australian Government and State laws.

A breach of funding conditions may result in funding for the project being withheld or a refund being sought in accordance with subdivision B of the relevant Parts of the Act.

### **4.1 Funding conditions in the Act**

The following mandatory conditions that apply to funding payments for Nation Building projects are set out in the Act:

#### **4.1.1 Funding payment must be expended on the funded project**

The funding payment must be wholly expended on approved purposes in relation to the funded project (see also 4.2.1).

#### **4.1.2 Funding recipient must give Minister audited financial statements**

The Act sets out the requirement for funding recipients to submit audited financial statements to the Minister (see also 5.2.2).

#### **4.1.3 Funding recipient must allow inspections by authorised persons**

The funding recipient must, at all reasonable times, permit a person authorised by the Minister to inspect any work involved in the carrying out of a funded project and to inspect and make copies of any documents relating to the funded project.

#### **4.1.4 Funding recipient must provide information on request**

The funding recipient must, as and when requested by the Minister, provide information relevant to the progress of the funded project or the operation or condition of the National Land Transport Network.

- Information about the progress of an approved project will be sought via a monthly progress report which also allows funding recipients to make monthly claims for payments (see 5.2.1).

- The Department expects that regular communication and meetings with the relevant contact officer will supplement the standard monthly reporting. In addition to the above arrangements, it will on occasion be necessary to request additional specific information about a project.

#### **4.1.5 State or State authority must call for public tenders for certain work**

If the funding recipient is a State or an authority of a State, the funding recipient must call for public tenders for all work on funded projects approved under Part 3 of the Act, other than:

- a) work that is maintenance of a road or railway; or
- b) work that is to be carried out by a public utility; or
- c) work that the Minister has, by a written exemption relating to the project, exempted from this condition because, in the Minister's opinion:
  - i) the work is urgently required because of an emergency; or
  - ii) the work is of such a minor nature that the invitation of tenders for the work would involve undue additional cost; or
  - iii) the work is of a kind for which it is not practicable to prepare adequate tender specifications; or
  - iv) the work is of a kind for which competitive tenders are unlikely to be received; or
  - v) the work will contribute to employment in a region; or
  - vi) the cost of the work is less than an amount prescribed by the regulations for the purposes of this subparagraph.

It is the policy intent of section 24 of the Act that States or authorities of a State should use public tender processes for Nation Building projects. In some cases, the obligation to use a public tender process under section 24 can be satisfied by the selection of contractors under a pre-existing panel arrangement, where it can be demonstrated that the pre-existing panel arrangement was the result of a public tender process.

A funding recipient seeking an exemption under the above provision must write to the Department seeking the Minister's approval for the exemption. The letter must detail the:

- project approval to which the works relate;
- scope of works for which the exemption is being sought;
- value of these works;

- intended entity to undertake these works;
- category ((i) to (vi) above) under which the exemption is being sought;  
and
- supporting reasons for the exemption.

If the project is a Construction Code-eligible project or subject to the Australian Government Building and Construction OHS Accreditation Scheme, the letter should also include confirmation that the relevant model clauses are to be included in the contract documentation.

Although the requirement in the Act to call for public tenders is limited to National Projects approved under Part 3, the Australian Government seeks value for money for its investment in all projects. For this reason, where a funding recipient is not required by the Act to call for public tenders and does not propose to call for public tenders, the funding recipient must advise how its proposed procurement strategy will meet the value for money requirement<sup>1</sup>.

#### **4.1.6 Obligations following the sale or disposal of interests in land**

If a State, or an authority of a State, sells or disposes of an interest in land that was acquired using all or part of the funding payment, the recipient must pay to the Australian Government an amount proportionate to the Australian Government contribution to the acquisition of that land. The formula to calculate the payment is set out under Section 25 (1) of the Act. Where a State, or an authority of a State, is the funding recipient for a project approved under Part 6, the funding recipient will also meet this requirement.

Alternatively, the recipient may, with the written approval of the Minister, spend an amount equal to the amount determined by the formula on approved purposes in relation to another Nation Building project. This would generally involve application of the funds to a project where there is an agreed cost increase, where an offset would otherwise be required. Submissions should be made in writing to the relevant Department contact (see Section 1.4) and are subject to approval by the Minister.

#### **4.1.7 Other funding conditions determined by the Minister**

Division 3 of the relevant Parts of the Act allows for the provision of other conditions to be applied to Australian Government funding where there is no funding agreement in place. The MOUs are not funding agreements for the purposes of the Act and therefore additional conditions can be determined by the Minister in writing.

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<sup>1</sup> Value for money is enhanced in government procurement by encouraging competition, promoting the use of resources in an efficient, effective and ethical manner and making decisions in an accountable and transparent manner.

## **4.2 Funding conditions in the MOUs**

The MOUs set out a range of further funding conditions agreed between the Commonwealth of Australia and State Governments and between the Commonwealth of Australia and the ARTC.

### **Funding conditions applicable to all funding recipients**

#### **4.2.1 Eligible project costs**

Australian Government funding may only be directed towards meeting eligible project costs. For projects to which a funding recipient has agreed to make a financial contribution, only expenditure on eligible project costs will be recognised as counting towards the funding recipient's contribution to the project.

Unless otherwise agreed in writing at the time of defining the project scope or subsequently, eligible project costs include:

- 1) direct costs, such as direct project management, planning, public consultation, environmental assessment, design, land acquisition, construction and traffic management of the project;
- 2) costs of meeting any conditions imposed on the project under Australian Government or State law;
- 3) costs of project public recognition and publicity including any ceremonies connected to progress on the project;
- 4) the costs of, or arising from, any legal action relating to projects in Schedule A of the MOU that is not due to the funding recipient failing to properly administer tender processes and supervise and manage relevant contracts.

Unless agreed otherwise in writing at the time of defining the project scope or subsequently, 'eligible project costs' do not include:

- 1) any component of the oversight and network administration costs of any State agency;
- 2) the cost of artworks or elaborate aesthetic features associated with a project; or
- 3) any costs associated with sections of road or rail that might be bypassed by a project and cease to be part of the National Network.

#### **4.2.2 Treatment of ineligible project costs**

The Department acknowledges that, for some projects, there can be a synergy in combining ineligible and eligible project costs into a single tender and contract. A typical example would be 'build and maintain' contracts where the maintenance cost is ineligible as the Australian Government makes a separate contribution to maintenance, as detailed in the MOUs.

If the funding recipient seeks to combine eligible project costs with ineligible project costs in a tender, eligible project costs should be clearly identified to the Department before the tender documentation is finalised. If such a tender proceeds, the Department may seek to review tender bids and may also undertake a more detailed review of the cost split.

Funding recipients can contact the relevant contact officer in Section 1.4 if further clarification is needed regarding eligible project costs.

#### **4.2.3 A funding recipient must provide public recognition of the Australian Government contribution to a project**

In all publications, promotional and advertising materials, public announcements and activities in relation to a project, a funding recipient must acknowledge the financial support that it has received from the Australian Government, in the manner set out below, or as approved by the Australian Government prior to its use.

The Australian Government reserves the right to publicise and report on the funding awarded to a funding recipient. The Australian Government may do this by including in media releases, general announcements about funding and annual reports, the funding recipient's name, the amount of the funds given to the funding recipient and the title and a brief description of the project.

Where the Australian Government is fully funding a project, it will receive major prominence in, and a determining say over the content and timing of, all public recognition. Where a project is funded jointly, all public recognition for that project will be jointly agreed with both parties receiving equal prominence in any public recognition.

Where public recognition is proposed, adequate notice should be given of the proposed public recognition and an appropriate opportunity should be given to ensure that the proposed public recognition meets requirements. Public recognition for a project stating, requiring or implying a funding commitment by the Australian Government should not be finalised without first agreeing with the Department.

Where public recognition of budgets or forward programs for land transport infrastructure funding includes funding provided by the Australian Government, a full acknowledgement of the Australian Government's funding contribution in total and in respect of individual projects should be made.

Where any public recognition is proposed, the funding recipient and the Department should endeavour to work cooperatively in arranging matters so that both parties:

- have adequate notice of the proposed public recognition, particularly where it is a ceremony, and dates, plaques and attendance by Members of Parliament have to be arranged

- are provided with an appropriate opportunity to ensure that the proposed public recognition meets their respective expectations.

For project signage, funding recipients will be required to submit a signage plan setting out proposed temporary and permanent signage for a project when approval for construction is sought.

The funding recipient is required to certify in the annual financial statement and audit report that required signage has been erected in accordance with relevant agreements and signage plans.

Funding recipients can obtain a copy of the Signage Guidelines on the Department's internet site.

## **Funding conditions applicable to States and authorities of a State only**

### **4.2.4 Private financing**

The Commonwealth and the States have agreed to explore the scope for increased private sector financial participation in meeting future land transport infrastructure requirements in relation to projects funded under the Nation Building Program.

The potential for private sector participation should be considered for all projects listed in Schedule A to the MOUs, commensurate with the size and nature of those projects.

The Council of Australia Governments endorsed a National Public Private Partnership Policy and Guidelines on 29 November 2008

(see [http://infrastructureaustralia.gov.au/public\\_private\\_partnership\\_policy\\_guidelines.aspx](http://infrastructureaustralia.gov.au/public_private_partnership_policy_guidelines.aspx)). The framework states 'Projects likely to have potential to provide value for money using a PPP delivery method are those with a total capital value exceeding \$50 million. Such capital expenditure should therefore trigger evaluation of PPP as a potential procurement method for the relevant project, with regard to value for money drivers described in 4.3.2 (of the PPP Policy Framework). Projects of less than \$50 million may also be suitable for PPP delivery if they exhibit sufficient value for money drivers.' PPPs will be considered as a procurement option where threshold values are met and where value for money drivers exist.

The MOUs state that where the estimated capital cost of a project is greater than \$50 million (or the threshold agreed by the Council of Australian Governments as part of the Public Private Partnership (PPP) Guidelines) consideration of PPP procurement options must be undertaken. A statement describing how the assessment was made must also be included in the PPR.

#### **4.2.5 State governments must maintain their own source expenditure on certain transport infrastructure**

States must maintain expenditure from own source<sup>2</sup> revenue on the National Land Transport Network and agree to supply agreed data to enable the Australian Government to meet its accountability and reporting requirements. Further detail regarding the required information is provided in Appendix H.

States must maintain the National Land Transport Network roads within their State to an agreed level of service, which is equal or superior to the level of service at the time of signing of the MOU.

States must also supply agreed data on the condition and usage of, and maintenance expenditure on, the National Network to enable the Australian Government to meet its accountability and reporting requirements.

### **4.3 Compliance with other laws**

Funding recipients are required to comply with other laws as identified below.

#### **4.3.1 National Code of Practice for the Construction Industry and Implementation Guidelines**

The *National Code of Practice for the Construction Industry* (the Construction Code) is the standard of practice for building and construction work, setting out the responsibilities of all parties on construction projects funded by the Australian Government. The *Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry* (the Implementation Guidelines) outline the process for complying with the Construction Code.

The Construction Code and the Implementation Guidelines apply to all construction projects indirectly funded by the Australian Government through grant or other programmes where:

- the Australian Government funding contribution is at least \$5 million and represents at least 50 per cent of the total construction value
- the Australian Government contribution to the project is \$10 million or more irrespective of the proportion of Australian Government funding.

For further information, and copies of the Construction Code and Implementation Guidelines, refer to the Australian Workplace portal at <http://www.workplace.gov.au/> or contact the National Code Hotline on 1300 731 293.

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<sup>2</sup> Own source revenue is that generated by the State as distinct from granted by the Commonwealth. These include, but are not limited to, State taxes, sales of goods and services, interest income and royalties and dividends from public trading enterprises.

### **4.3.2 The Australian Government Building and Construction Occupational Health and Safety Accreditation Scheme**

The Australian Government Building and Construction OHS Accreditation Scheme (the Scheme) operates such that, subject to certain thresholds, only head contractors who are accredited under the Scheme can enter into contracts for building work that is funded directly or indirectly by the Australian Government.

Projects under the Nation Building Program are considered indirectly funded.

The Scheme applies to projects that are indirectly funded by the Australian Government where:

- the value of the Australian Government contribution to the project is at least \$5 million and represents at least 50 per cent of the total construction project value; or
- the Australian Government contribution to a project is \$10 million or more, irrespective of the proportion of Australian Government funding.

If a project meets the above thresholds, the requirement that accredited builders carry out the building work only applies to head contracts for building work valued at \$3 million or more.

The Scheme does not apply to building work indirectly funded by the Australian Government if:

- a) the building work is undertaken outside Australia
- b) the funding for the project was obtained under a grant or funding agreement that was entered into before 1 October 2007 (for example National Projects under AusLink 1) or
- c) the contract for the building work was entered into before 1 October 2007.

For further information on the Scheme, refer to the *Australian Government Building and Construction OHS Accreditation Scheme: Guidance for Government Agencies and Funding Recipients*, available on the Federal Safety Commissioner website at <http://www.fsc.gov.au/> or contact the FSC Assist Line on 1800 652 500.

### **4.3.3 Australian Government environment and heritage legislation**

Projects must adhere to Australian Government environment and heritage legislation. For most projects, the relevant legislation will be the *Environment Protection and Biodiversity Conservation Act 1999*. If the project is at the construction stage, funding recipients must advise how they are addressing Australian Government environment and heritage requirements. The Australian Government will not approve funding for construction activities unless Proponents can demonstrate that relevant

obligations will be met. Construction cannot start unless the relevant obligations are met.

The Department strongly recommends that, before starting an environmental study for a project, Proponents contact the Australian Government Department of Environment, Water, Heritage and the Arts <http://www.environment.gov.au/epbc/index.html>. They can provide advice about Australian Government requirements and ensure that the Australian Government's legislative requirements are properly addressed by the study. This will reduce the likelihood of cost and time delays before construction can commence.

#### **4.3.4 Other statutory requirements**

In addition to Australian Government environment and heritage legislation, project Proponents must also meet other statutory requirements where relevant. These may include, but are not limited to:

- Native title legislation
- State government legislation—for example, environment and heritage
- Local government planning approvals.

When a proposal for commencement of the Delivery Phase is being considered, the Department will require confirmation that relevant requirements have been met.

## **5 PROGRAM AND PROJECT REPORTING**

### **5.1 Cash flow requirements**

Funding recipients must provide the Department with a forecast funding requirement for each National Project on an annual basis through IMS. This must be submitted by 28 February each year and include expenditure projections for each of the remaining years of a project. Appendix E: Annual Cash Flow Projections provides an example of the information and the format required.

Shortly after the Australian Government Budget is introduced in May of each year, funding recipients will be advised of the indicative project allocations for the following financial year.

#### **5.1.1 Expenditures reported must be net of the Goods and Services Tax**

Expenditures reported in the funding requirement forecast and the monthly progress report must be net of the Goods and Services Tax (GST) component on supplies. This is because the eligible funding recipient can claim input tax credits on the GST paid on supplies. Expenditures in the report must be compiled from GST-compliant business systems.

#### **5.1.2 Five year implementation plan**

Following the receipt of the first Nation Building budget allocation, a five year implementation plan will be developed by each funding recipient. The Nation Building Implementation Plan will include the proposed funding recipient and Australian Government funding allocation and timelines for each Nation Building project to be submitted through IMS, see Appendix F. The plan will include a list of projects funded under Parts 3 and 6 of the Act, their start date, the date planning is expected to be completed, the date construction is expected to commence, the date construction is expected to be completed, the date the project is to be opened and the expected project finalisation date. The plan will be updated annually after each funding recipient is advised of the revised budget allocations and the forecast future cash flow allocations. The plan should be completed by 31 July each year.

### **5.2 Expenditure reporting**

#### **5.2.1 Monthly expenditure reports**

The monthly progress report will be the basis for funding recipients to make claims for payments and is the key reporting mechanism to the Department and the Minister on the progress of funded projects. The report requires the provision of both project status and financial information. Requirements of the report, which is provided

through IMS, are shown in Appendix D: Monthly Progress Report. Note that this report should be prepared on a cash basis and must be submitted through IMS by the 13<sup>th</sup> of each month.

Payments are calculated to reimburse the funding recipient's expenditures incurred to date and to meet a reasonable estimate of expenditures likely to be incurred to the next due date of payment. Expenditure is defined as net cash outgoings incurred by the eligible funding recipient on eligible costs. The monthly payment is calculated as follows:

$$\begin{array}{rcccccc} \text{Payment} & = & \text{Total} & + & \text{Estimated} & + & \text{75\% of the} & - & \text{Total} \\ \text{Due} & & \text{Expenditure} & & \text{Expenditure} & & \text{Estimated} & & \text{Payments} \\ & & \text{to Date} & & \text{for the} & & \text{Expenditure} & & \text{Made to} \\ & & & & \text{Current} & & \text{for the Next} & & \text{Date} \\ & & & & \text{Month} & & \text{Month} & & \end{array}$$

Reported expenditure figures provided by the funding recipient must reflect actual expenditure and reasonable estimates of the next month's expenditure on approved projects.

### 5.2.2 Annual Financial Statements

For each financial year in which the funding recipient spends or retains any of the funding payment, the funding recipient must give to the Minister, as soon as practicable, and in any event within 6 months, after the end of that financial year:

- a) a written statement as to:
  - i) the amount spent by the funding recipient during that year out of the funding payment; and
  - ii) the amount retained by the funding recipient out of the funding payment as at the end of that year; and
- b) a report in writing and signed by the appropriate auditor stating whether, in the auditor's opinion:
- c) the statement is based on proper accounts and records; and
- d) the statement is in agreement with the accounts and records; and
- e) the expenditure referred to in subparagraph (a)(i) has been on the funded project.

Note that the single annual financial statement is to provide detail at a project level and should be submitted through IMS and to the relevant Departmental contact listed at 1.4 who is authorised to receive the report on the Minister's behalf.

## **5.3 Progress reporting**

### **5.3.1 Funding recipient required to provide monthly information**

In the monthly progress report, the funding recipient should provide details of project progress and any known risks or changes to the information provided in the five year implementation plan, including to project start and completion dates and other construction milestones via IMS as detailed in Appendix D: Monthly Progress Report.

### **5.3.2 Funding recipient required to advise details of tenders**

In the monthly progress report, the funding recipient should provide details of tenders awarded for the project in the previous month, the successful tender and value of the contract in each case, and proposed tenders to be let in the following month. If the project is a Construction Code-eligible project, the funding recipient is also to provide confirmation that it has complied with the Construction Code and Implementation Guidelines.

Where the funding recipient intends to deliver a project using the alliance contracting method, while it is not the Department's role to be a party to such contracts, it does expect to be advised as soon as possible of a funding recipient's intention to do so. Identification of any risks associated with this delivery method should also be provided to the Department. Where possible, this reporting should be at the PPR stage and further updates provided through the monthly reporting.

In some situations, the Department may ask for additional information about a tender or use the awarding of a contract as a public recognition opportunity.

### **5.3.3 Australian Government to be advised of significant contract issues**

From time to time significant issues may arise with contracts. Examples include:

- the contractor entering into receivership or insolvency;
- the termination of the contract by the funding recipient;
- a breach of the Construction Code or Implementation Guidelines;
- major unforeseen construction contingencies; or
- contractor default.

The Department is to be kept informed when such issues arise and of the funding recipient's intended response to the issue. The funding recipient should contact the Department contact officer as soon as a potential issue becomes apparent.

## **5.4 Road maintenance reporting**

Each year two road maintenance reports are required:

- The road maintenance formula data is required by 31 December each year via IMS as set out in the table at Appendix G: Road Maintenance Reporting. This data is used to adjust the allocation of maintenance funding between the States, and
- A Maintenance Performance Report is required by 30 September each year. The report will provide actual data and expenditure as set out in Appendix G for the previous financial year, and the projected maintenance expenditure for the current financial year. Total annual expenditure (including rehabilitation / reconstruction) for each link is required, separately identifying pavement and off-pavement expenditure.

The Australian Government's maintenance funding will be capped at 25 per cent of a State's annual allocation until a compliant report for the preceding year has been received.

## **6 CLOSURE OF PROJECTS**

### **6.1 Formal closure**

A project is considered physically completed as soon as it achieves its primary purpose—for example, a new road is opened to traffic or a rail passing loop becomes operational; final reports are completed for a study; or an acquired technology begins operation. However, the Department only considers a project to be finalised when Australian Government funding has been fully expended on the project and all revenue from the sale of surplus land payable to the Australian Government has been refunded or reallocated.<sup>3</sup> It is sometimes the case that a project can be finalised from the Australian Government perspective prior to its physical completion.

Funding recipients are to advise the Department through the monthly progress report when a project is completed and when all outstanding payments and receipts are finalised. Typical outstanding payments for road projects include landscaping and the final seal. Some of these outstanding payments and receipts may occur after the physical completion of the project.

Funding recipients must, as part of the annual cash flow projections, report by 28 February each year on all projects that are completed but for which financial transactions are not finalised. This report will identify, for each project, the estimated outstanding payments and receipts and provide an indicative date by which funding for the project is likely to be finalised.

Within three months of the finalisation of a project, the funding recipient is to provide a written statement, to be included in the monthly progress report, to the Department either confirming that there are no outstanding payments or receipts for the project or providing advice on likely payments or receipts.

### **6.2 Post completion reporting**

At the completion of each project it is expected that the funding recipient will complete a post completion report using the template at Appendix J. The report will summarise performance and outcomes against scope, schedule, budget and quality, and any requirements set out in the approval letter. The report should be completed, and provided to the Department, within 6 months of the physical completion of the project.

The evaluation of performance and outcomes, such as safety, is not required in the post completion report but forms part of any project evaluation.

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<sup>3</sup> A project that has completed its planned outputs but has underspent against the budgeted funds can still be finalised. The MOUs address the treatment of project cost savings.

## **7 PROJECT EVALUATION**

The parties agree to cooperate in the joint evaluation of projects so as to facilitate both performance review of the projects and continuous improvement of investment decision making. Evaluation of projects completed will focus on establishing the extent to which project performance indicators have been achieved, and reviewing the accuracy of demand forecasts and cost estimates used in the assessment of the project prior to commencement.

The evaluation of projects may need to occur sometime after the physical completion. The timing of reviews can generally be agreed at the same time the performance indicators are decided or at the post completion stage.

## **8 ARRANGEMENTS FOR ROAD MAINTENANCE**

### **8.1 Allocation according to formula**

The Australian Government contribution towards maintenance of the road component of the National Land Transport Network will be provided as an annual allocation to each State. The Minister approves maintenance allocations annually under Sections 9(1) and 17(1) of the Act.

The annual allocation to each State will be determined by a formula. The formula is based on three components of non-tolled National Land Transport Network roads in each State, which are given equal weighting:

- lane length;
- total average daily vehicle distance travelled; and
- total average daily heavy vehicle distance travelled (using equivalent standard axles as the measure).

Each State's allocation from the Australian Government's maintenance budget will be determined by its proportion of each component relative to the total for all non-tolled roads in the National Land Transport Network. Each State is to provide, by 31 December each year, the data necessary to enable the Australian Government to allocate this funding according to the formula. Appendix G details the data required by the Department.

### **8.2 Maintenance standard**

Australian Government road maintenance funding is conditional on States maintaining each road link to at least its condition at the start of the Nation Building Program.

The Australian Government uses the Riding Quality (RQI) and Preventative Maintenance (PMI) indicators to determine if the overall condition of each link is being maintained appropriately (see Appendix G).

States can fund urgent minor and non-programmed maintenance works on the National Network from their maintenance funding.

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## APPENDIX A: PROJECT PROPOSAL REPORT (PPR)

All questions must be answered unless specifically directed otherwise within the body of the PPR. Proponents should consider providing additional information where such information could assist the Department with the appraisal of the PPR. Any supporting documentation should be referred to within the body of the PPR.

Refer to 3.2 (Project phases) to determine the appropriate scope for the PPR.

### A. PROPONENT AND PROJECT DETAILS

#### Proponent Details

A1 ABN/ACN and registered Entity Name

A2 Project Director and/or Manager (name, telephone, facsimile, e-mail and postal address)

#### Project Details

A3 Project ID

A4 Project Name

A5 Project Scope

A6 Geographical References

A7 Project Summary

A8 Which corridor and section of the National Network is the project located on?

A9 Under which category of the Act is the project eligible for approval?

Part 3, Division 1, Section 10: (a)/(b)/(c)/(d)

Part 6, Division 1, Section 54: (a)/(b)/(c)/(d)/(e)

A10 For which project phase(s) is this PPR seeking funding? (select all applicable)

Scoping     Development     Delivery

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**B. STRATEGIC FIT**

- B1 Has the Scoping Phase previously been approved? YES / NO
- B2 Is the project identified in the MOU? YES / NO
- B3 Has it been determined that the project has strategic merit through a formal Strategic Merit Test? YES / NO  
(Provide details including the date of determination)

If the answer to all of the above questions is 'NO', do not proceed with completion of this PPR. A project will not be determined appropriate to approve for release of funds unless it has been determined to have strategic merit.

**C. PLANNED OUTCOMES AND OUTPUTS**

- C1 Describe the performance objectives and intended outcomes for this project. Are there any known risks to the project which will impact on project completion?
- C2 Describe how achievement of these outcomes can be measured. What specific efficiency/safety/other metrics are proposed? What targets are proposed for these metrics? (For example advise of time and distance savings and improvement in crash statistics).
- C3 Identify what baseline data is available for metrics identified in C2 against which to compare data recorded post project completion.
- C4 Describe the planned outputs for this project.

**D. PROJECT APPROACH AND TIMING**

- D1 Has private financing been investigated? YES/NO  
If 'NO' – outline the reasons behind this decision  
If 'YES' – a copy of the formal assessment is to be provided.
- D2 Describe the key milestones and the critical path for the complete project. What is the expected timing of these milestones? What is the current estimated completion date?
- D3 What assumptions have been made in deriving the critical path set out under D2?
- D4 Has the relevant Proponent representative approved the milestones and critical path?  
YES/NO

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## **E. FINANCIAL ANALYSIS**

### **Outturn Cost**

- E1 What is the anticipated Total Outturn Cost for the project?  
(Total Outturn Cost is Base Estimate + Contingency + Escalation.)

Base Estimate:

P50:

P50 + Contingency

P50 + Escalation

P90:

P90 + Contingency

P90 + Escalation

The Outturn Investment Cost table should be completed and attached as supporting information.

- E2 What approach has been taken to cost escalation?      General / By Expenditure Component
- E3 Provide details of the escalation rate(s) used and the source of those rates.
- E4 What elements of the Total Outturn Cost relate to ineligible costs? Identify the cost elements and the total ineligible cost.

### **Benefit Cost Analysis**

For Development Phase proposals only.

Does the current P50 estimate exceed the P90 estimate provided on approval of the Development Phase?      YES / NO

If 'YES' – complete questions E5 to E10

Is the total outturn cost more than \$50 million?      YES / NO

Is the Australian Government contribution uncapped?      YES / NO

Did the Scoping Phase identify any cultural, social, environmental or planning issues?      YES / NO

If the answer to any of the above questions is 'YES', E5 to E10 must be completed, otherwise complete E5 to E7.

- E5 Describe the Base Case in detail highlighting and, where possible, quantifying the deficiencies to be addressed.

- E6 What Evaluation Period has been used?

E7 Provide disaggregated values for the Base Case and the preferred option in the attached spreadsheet and a summary in the tables below:

**Project Benefits**

	<b>Total Benefit</b>
Infrastructure operating (incl. maintenance)	
Passenger / Freight Travel Time	
Vehicle / Train Operating Costs	
Safety	
Externalities	
Others (e.g. reliability)	
TOTAL	

**Summary Measures**

<b>4.4% Discount Rate</b>	<b>BCR</b>	<b>NPV</b>
Based on P50		
Based on P90		

**Option Evaluation Summary**

- E8 What options were investigated? Provide details of option scoring on economic, environmental and social performance where available. State assumptions made in comparing options and which option is preferred.
- E9 How did public participation help to identify the preferred option(s)?
- E10 Where viable options exist, IBCR should be provided in the following table.

	<b>PV Investment Costs (P50)</b>	<b>PV Benefits</b>	<b>NPV</b>	<b>IBCR</b>
Base Case				
Option A (preferred)				
Option B				
Option C				

\* The IBCR of the preferred option represents a value for money proposition

**F. RISK AND GOVERNANCE**

- F1 Identify the major risks, and proposed mitigation strategies, to successful delivery of this phase and the overall project. Specific details are required regarding the contracting method if alliance contracting is being used.

- 
- F2 Is a tender exemption being sought? If so, refer to 4.1.5 (State or State authority must call for public tenders for certain work) for requirements and attach a letter as stipulated in that Section. For Part 6 projects not proposing to call for public tender, detail how the proposed procurement strategy will meet the value for money requirement.
  - F3 If applying for Development or Delivery Phases, will this project trigger any environmental or cultural legislation? Detail how these requirements are addressed in the proposed project scope.
  - F4 How will public and stakeholder participation be facilitated during this project?

**G. SUPPORTING DATA**

**Demand Forecasts**

**Safety Audit**

**Photographs / Other Descriptive Information**

I acknowledge the information set out in this PPR is an accurate representation of available information.

.....  
[Name, position, and organisation]

Date: .....

## Outturn Investment Cost Table

Examples provided below, Excel template to be completed.

Project Summary (Example only-Deterministic Risk Assessment)										
Item	09/10 FY	10/11 FY	11/12 FY	12/13 FY	13/14 FY	Base Estimate	Contingency - range risk		Base Estimate + Contingency (Inherent risk)	% of Base Estimate
<b>Phase: Scoping</b>										
<b>Base date of Estimate:</b>							<b>%</b>	<b>Amount</b>		
<b>Concept Development</b>										
Route /Concept /EIS						300,000	10%	30,000	330,000	
Project Management Services						250,000	15%	37,500	287,500	
Sponsor						120,000	20%	24,000	144,000	
Community Liaison						85,000	30%	25,500	110,500	
<b>Subtotal Concept Development</b>						<b>755,000</b>		<b>117,000</b>	<b>872,000</b>	<b>1.6%</b>
<b>Detail Design and Documentation</b>										
Investigation and Design						2,500,000	20%	500,000	3,000,000	
Project Management Services						1,250,000	25%	312,500	1,562,500	
Sponsor						125,000	20%	25,000	150,000	
Community Liaison						160,000	30%	48,000	208,000	
<b>Subtotal Detail Design and Documentation</b>						<b>4,035,000</b>		<b>885,500</b>	<b>4,920,500</b>	<b>8.5%</b>
<b>Property Acquisition</b>										
Acquire Property						3,750,000	30%	1,125,000	4,875,000	
Professional Services for Property						275,000	25%	68,750	343,750	
Project Management Services						180,000	25%	45,000	225,000	
Sponsor						120,000	20%	24,000	144,000	
<b>Subtotal Property Acquisition</b>						<b>4,325,000</b>		<b>1,262,750</b>	<b>5,587,750</b>	<b>9.1%</b>
<b>Total Owner's Cost</b>						<b>9,115,000</b>		<b>2,265,250</b>	<b>11,380,250</b>	<b>19.2%</b>
<b>Construction</b>										
<b>Contractor's Direct Costs</b>										
Utility Adjustments						3,000,000	40%	1,200,000	4,200,000	
Bulk Earthworks						5,500,000	15%	825,000	6,325,000	
Drainage						1,250,000	15%	187,500	1,437,500	
Retaining Walls						2,400,000	25%	600,000	3,000,000	
Bridges						3,000,000	25%	750,000	3,750,000	
Pavements						8,500,000	20%	1,700,000	10,200,000	
<b>Other</b>										
Noise Barriers						1,200,000	25%	300,000	1,500,000	
Road Lighting						750,000	20%	150,000	900,000	
Road Furniture and Safety Barriers						650,000	30%	195,000	845,000	
Road Markings and Signage						425,000	20%	85,000	510,000	
Traffic Signals						0				
Traffic Information Systems						0				
Environmental Works						360,000	25%	90,000	450,000	
Landscaping						300,000	20%	60,000	360,000	
Other						125,000	30%	37,500	162,500	
<b>Subtotal Contractor's Direct Costs</b>						<b>27,460,000</b>		<b>6,180,000</b>	<b>33,640,000</b>	
<b>Contractor's Indirect Costs</b>										
Preliminaries	24.00%					6,530,400	25%	1,647,600	8,238,000	
Contractor's Offsite Overhead and Margin	13.00%					4,426,552	20%	885,310	5,311,862	
<b>Total Construction Cost (TCC)</b>						<b>38,476,352</b>		<b>8,712,910</b>	<b>47,189,862</b>	<b>80.8%</b>
<b>Base Estimate (Owner's Cost + Construction Cost)</b>						<b>47,591,352</b>		<b>10,978,160</b>	<b>58,570,112</b>	<b>100.0%</b>
<b>Contingency / Contingent risk 15% of TCC</b>									<b>7,078,479</b>	<b>0.0%</b>
<b>Base Estimate + Contingency (Inherent + Contingent)</b>									<b>65,648,592</b>	<b>137.9%</b>
<b>Cash Flow: Start Construction July 2009, Finish Construction Dec 2010</b>										
<b>Escalation (applied to Base Estimate + Contingency)</b>							17.5%		<b>11,488,504</b>	<b>24.1%</b>
<b>Total Outturn Cost</b>									<b>77,137,095</b>	<b>162.1%</b>

(Note: If the project contains major separable portions which need to be monitored separately, the above information should be repeated for each portion)



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## APPENDIX B: EXPLANATORY NOTES - PROJECT PROPOSAL REPORT

### Proponent and Project Details

- A3 Project ID is assigned by the Department. For Development and Delivery Phase applications, the project ID assigned at Scoping Phase must be quoted.
- A5 Project Scope should detail the specific design aspects of the project i.e. the road length and number of lanes to be constructed.
- A6 Geographical references for the project should be provided in a MapInfo, MIF/MID or ESRI SHP file.
- A7 A project summary should be prepared for possible inclusion on the Nation Building website. It should cover the entire project and include the rationale and performance objectives for the project, the outputs and expected benefits and the expected timetable for completion. The Australian Government/Proponent funding split should also be articulated. This summary should be no longer than one page.
- A9 A project is eligible for approval as a National Project under the Act if the project is for one or more of the following:
- a) the construction or maintenance of an existing or proposed road that is included in the National Land Transport Network;
  - b) the construction or maintenance of an existing or proposed railway that is included in the National Land Transport Network;
  - c) the construction of an existing or proposed inter-modal transfer facility that is included in the National Land Transport Network;
  - d) the acquisition or application of technology that will, or may, contribute to the efficiency, security or safety of transport operations on the National Land Transport Network.

A project is eligible for approval as an Off-Network Project under the Act if the project is for one or more of the following:

- a) the construction of an existing or proposed road, in a State or Indian Ocean Territory, that is not included in the National Land Transport Network;
- b) the maintenance of an existing or proposed road, in a State or Indian Ocean Territory, that:
  - (i) is not included in the National Land Transport Network; and
  - (ii) is in an area for which no local government authority has responsibility;
- c) the construction of an existing or proposed railway, in a State or Indian Ocean Territory, that is not included in the National Land Transport Network;

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- d) the construction of an existing or proposed inter-modal transfer facility, in a State or Indian Ocean Territory, that is not included in the National Land Transport Network;
  - e) the acquisition or application of technology that will, or may, contribute to the efficiency, security or safety of transport operations in a State or Indian Ocean Territory.

Note: The definition of construction covers some kinds of work on an existing road, railway or inter-modal transfer facility (hence the references above to the construction of an existing road, railway or inter-modal transfer facility).

## **Project Approach and Timing**

- D1 Increased funding from the private sector is an important factor in meeting future land transport infrastructure requirements. Participation by the private sector may include ownership, financing and operation, operation of business concessions, or financial contribution in recognition of specific benefits flowing from the project. The potential for private sector participation must be explored for all projects where the Proponent is a State or an authority of a State. Proponents should provide details of how the assessment was carried out and whether there is scope for private sector participation. A copy of the formal assessment should be provided. Where it is assessed that there is scope for private sector participation, the PPR should include details of how the procurement process will meet funding conditions set out in Section 4: Funding Conditions and other State procurement guidelines.
- D2 A large land transport infrastructure project would typically have 20 to 40 milestones across the complete lifecycle, covering activities such as approvals, design, community engagement, land acquisition, infrastructure delivery, disruption management and handover. Milestones that provide potential for publicity (such as contract awarding, physical construction commencing or road / facility opening) should also be included.  
A subset of these milestones should be identified as the project critical path. Typically 10 to 20 milestones would be on the critical path across the project lifecycle. Answers to questions in part D will form the basis of progress reporting for an approved project.
- D3 Key assumptions underpinning the expected critical path should be articulated. This is particularly important where the proposed project is dependent upon delivery of other projects, State or Local Government Authority (LGA) planning approval or environmental impact studies.
- D4 If the project critical path and milestones have not been approved by the relevant Proponent representative, the Proponent must provide details of how and when an approved project plan will be developed.

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## Financial Analysis

- E1 Proponents should refer to the 'Lift Out Guide to Best Practice Cost Estimation' for guidance on the completion of the Outturn Investment Cost Table. The Standard itself should be seen as the primary reference document. Proponents should also take advantage of training offered by the Department in the application of the Standard.
- It is important to note that each State has signed up to use of the Standard from 1 July 2009. Proponents submitting proposals after this date based on cost estimates that are not consistent with the Standard should not expect those proposals to be approved.
- E2 Escalation can be assessed in an overall way by multiplying the cash flow for a specific year by the expected percentage increase to cover escalation for the entire cash flow in that year (as in the example Outturn Investment Cost Table). An alternative methodology can also be used that breaks down the annual expenditure into key components such as pavement, structures, drainage, etc for roads or formation, track, signalling, etc for rail and apply the expected unit price escalation percentages to each key element. The methodology used should be highlighted here.
- E3 Escalation can be a significant component of the Total Outturn Cost, particularly for projects that are planned to start several years after the estimate date. The choice of escalation rates is therefore critical to achieving a realistic cost estimate.
- E5 Volume 3 of the ATC National Guidelines for Transport System Management in Australia, 2006, provides a list of benefits that can be monetised for Benefit Cost Analysis. These are:
- Savings in vehicle / train operating costs
  - Improvements in service reliability
  - Savings in time costs for passengers and / or freight
  - Savings in crash / accident costs
  - Reduced environmental externalities (noise, pollution)
  - Scrap or residual values of assets
  - Savings in infrastructure operating costs including maintenance and administration
  - Benefits associated with diverted and generated traffic
- E6 The Evaluation Period should be set at the expected life of the asset created by the initiative. It is usual to assume a 30 year life for road initiatives (except bridges, which have much longer lives) and a 50-year life for rail initiatives. Intelligent Transport System initiatives will have shorter lives. If a longer life than 30 years is anticipated for a road initiative, the Evaluation Period should remain at 30 years with the residual value (defined as the present value of

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benefits for the remaining life of the asset beyond the appraisal period) identified as an additional benefit.

- E7 The BCR and NPV provided under E7 should reflect the figures provided for Option A under E10.
- E8 When analysing options, Proponents should consider how well each option addresses the main deficiencies and whether there is an adequate lower cost alternative to the proposal. Detail how the proposed quality delivered by the project will be fit for purpose and no higher.
- E10 Proponents should use the IBCR to compare options on economic grounds. The BCR is the present value of benefits less operating costs, divided by the present value of investment costs. IBCR is calculated in the same manner as the BCR but for the difference between options. On economic grounds, increases in the scale of a project are worthwhile as long as the IBCR exceeds one but budgetary considerations may result in a less costly, but still beneficial option being approved.
- Note that the primary infrastructure operating cost is maintenance. Maintenance costs should be separated into annual (routine), periodic and rehabilitation categories.
- Annual (routine) costs may include vegetation control, repairs to pavements, signage/telecommunications equipment/ signalling/ train control systems, clearing drains/culverts and repainting line markings.
  - Periodic costs may include resealing, stabilisation, re-sheeting, roughening concrete pavements, ballast cleaning, rail grinding, sleeper replacement and re-railing.
  - Rehabilitation costs are major expenditures to substantially put the road/railway into as new condition.

## **Risk and Governance**

- F1 Proponents should identify the most significant risks to successful project delivery and provide details of the mitigation strategies proposed, including requesting increased Australian Government involvement where appropriate. Risks should be consistently defined, for example: ‘There is a chance that [event] will occur resulting in [impact]’. The likelihood and consequences of all significant risks should be provided and this should be consistent with the contingencies allowed in the cost estimates and benefit cost analysis sections.
- F4 Factors that should be considered when determining the appropriate level of public and stakeholder participation may include:
- the potential for conflict over the project
  - the potential for major social, environmental or economic impacts
  - relevant legislative requirements

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## Supporting Data

### 1) Demand Forecasts

Benefits from transport projects are usually strongly related to the level of usage for infrastructure. Consequently demand forecasts play a critical role in project appraisal.

Demand forecasts should be provided for each option of the proposed project. Proponents should state the unit of demand which may include vehicle or train numbers; passenger numbers or gross freight tonnage/ containers.

The demand forecasts should be provided in accordance with the National Guidelines.

### 2) Safety Audit

A road or rail safety audit is a formal examination of a future or existing road or railway, in which an independent, qualified team reports on the project's crash potential and safety performance.

A road or rail safety audit should be provided in accordance with the National Guidelines.

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## APPENDIX C: ANNUAL FINANCIAL STATEMENT AND AUDIT REPORT

This report comprises three components:

- A financial statement;
- A signed written statement by the appropriate auditor; and
- A signed statement from the Chief Executive Officer.

The Chief Executive Officer, or his or her delegate, is required to submit the following to the Department by no later than 31 December after the end of the financial year. In accordance with Section 21 or 65 of the Act, please note the information in this report is to be submitted at a project level.

### 1. A financial statement in accordance with the format described below

Project	Amount brought forward from previous financial year	Amount received year ended 30/06/xx	Total amount available for expenditure year ended 30/06/xx (Total of previous two columns)	Amount expended year ended 30/06/xx	Amount carried forward

### 2. A signed written statement by the appropriate auditor

The signed written statement should certify that:

- the financial statement is based on proper accounts and records; and
- the financial statement is in agreement with the accounts and records; and
- the amount expended by the funding recipient during the year as shown in the financial statement has been spent on the funded project(s).

An appropriate auditor — see Section 4 of the Act for the full text—means:

- the auditor-general of a State in relation to an authority or organisation whose accounts are required to be audited by the auditor-general of a State;
- the auditor-general of the Australian Government in relation to an authority or organisation whose accounts are required to be audited by the auditor-general of the Australian Government; or in relation to another funding recipient—other than a director, officer or employee of the funding recipient;
- a person registered as a company auditor or public accountant; or

- 
- a member of the Institute of Chartered Accountants or Australian Society of Accountants.

### **3. A signed statement from the Chief Executive Officer**

The Chief Executive Officer will, after the close of the financial year, provide a statement by no later than 31 December certifying that:

- amounts expended from funding payments have been wholly expended on approved purposes<sup>1</sup> in relation to funded projects and only on eligible project costs as defined in the MOUs / funding agreement
- all tenders invited and contracts awarded for Australian Government funded projects for which there is a tendering requirement have been dealt with in accordance with the Act and Section 5.3 of these Notes
- signs have been erected in accordance with a relevant MOU or funding agreement and signage plans
- the funding recipient has met the compliance requirements of the Construction Code and its associated Implementation Guidelines
- funding recipients meet the requirements of the Scheme
- conditions outlined in any funding agreement with the Australian Government have been met.

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<sup>1</sup> 'Approved purposes' is defined in Section 4 of the Act and means purposes forming part of the project other than any purposes excluded by the project approval instrument pursuant to Section 13(3) of the Act.

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## APPENDIX D: MONTHLY PROGRESS REPORT

The monthly progress report is the key reporting mechanism on the progress of funded projects. The monthly report requires information to be entered into IMS on:

### **Financial Status**

- Total expenditure to date on the project
- Year to date expenditure on the project
- Estimated expenditure for the current month
- Estimated expenditure for the upcoming month

### **Project Progress**

The project status should provide detailed information of the progress of the project for the monthly reporting period, including:

- Known risks<sup>1</sup> to project completion and the strategies adopted mitigation to mitigate those risks
- Issues arising that will impact on project completion as reported in the Nation Building Implementation Plan and how these have been addressed
- Progress against agreed milestones<sup>2</sup>
- Any changes to information provided in the Nation Building Implementation Plan including the timing of milestones and expected cash flow
- Key events in the next two months, e.g. requests for expressions of interest / tenders, awarding of a contract, an opening, commencement of completion of a key project stage
- Details of any Construction Code breaches

The monthly progress report is to be entered into IMS by the State by the 13<sup>th</sup> day of each month.

All the required issues relating to project status need to be adequately addressed before the monthly payment can be assessed and processed.

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<sup>1</sup> Where a project is to be delivered using an alliance contract the risks associated with this contracting method should be reported in the monthly progress report.

<sup>2</sup> Where projects are combined into a single administrative project, provide progress reporting against each sub project.

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# APPENDIX E: ANNUAL CASH FLOW PROJECTIONS

**Cash flow projections: due by 28 February each year**

Cash Flow Projections Report for 2006-07	
Organisation Name	Roads & Traffic Authority Of New South Wales
Report Status	Draft
Project Number	000014-97NSW-NP
Project Name	Hume Hwy - Albury Wodonga National Highway upgrade: Murray River to Billy Hughes Bridge.
February 2007	<input type="text"/>
March 2007	<input type="text"/>
April 2007	<input type="text"/>
May 2007	<input type="text"/>
June 2007	<input type="text"/>
Current FY - 2006-07	<input type="text"/>
Out Year 1 - 2007-08	<input type="text"/>
Out Year 2 - 2008-09	<input type="text"/>
Out Year 3 - 2009-10	<input type="text"/>
Out Year 4 - 2010-11	<input type="text"/>
Out Year 5 - 2011-12	<input type="text"/>

# APPENDIX F: FIVE YEAR IMPLEMENTATION PLAN

Project Name	Project ID	Planning Start date	Planning End date	Tender date	Construction start date	Construction completion date	Project opened date	Project finalisation date	Total Estimated Cost	AG funding	TAS funding	Total Project cost	contribution 09-10	contribution 09-10	Total jobs supported	Comments
<b>CONTINUING (AUSLINK) PROJECTS</b>																
Sum of Continuing Project Funding										0.00						
<b>NBP (NEW) PROJECTS</b>																
<b>INVESTMENT PROGRAM</b>																
<b>NETWORK</b>																
Sum of NBP Project Funding										0.00						
TOTAL PROJECT FUNDING										0.00						
<b>ROAD MAINTENANCE FUNDING</b>																
Indicative Sum of Road Maintenance Funding						0.00										
TOTAL INDICATIVE FUNDING										0.00						
<b>Notes:</b>																
1. This schedule does not preclude the provision of additional funding.																
2. This schedule is a baseline document which is not intended to reflect cost increases, reallocations between projects or project savings. Such variations will be separately accounted for on an ongoing basis. They will, among other things, be identified in program figures provided at the time of the Australian Government Budget.																
3. Subject to agreement, additional funding may be provided by the Australian Government to other Continuing Projects not listed here that do not have capped funding, but this would need to be offset within the Australian Government's total funding.																
<b>Definitions</b>																
Project ID	Id number allocated to the project in the Nation Building Management System (NBMS).															
Planning	The specification of requirements and investigation of options to achieve the desired outcome. Detailed planning (such as environmental approvals, land acquisition, community consultation) and design (such as field studies, preliminary/detailed design, quantity estimates) of the preferred option to take it to the point where tenders can be called for its delivery.															
Construction	Construction and commissioning of the preferred option (hard hats/sod turning/ bulldozers).															
Project completion	A project is considered completed as soon as it achieves its primary purpose—for example, a new road opens to traffic or a rail passing loop becomes operational; final reports are completed for a study; or an acquired technology begins operation.															
Project finalisation	Australian Government funding has been fully expended on the project or reallocated in accordance to MDU provisions and all revenue from the sale of surplus land payable to the Australian Government has been refunded or reallocated.															

## APPENDIX G: ROAD MAINTENANCE REPORTING

### Road Maintenance Formula Data

The following table shows the data required for the road maintenance allocation formula due by 31 December each year.

Corridor Name						
Link	Link Length (km)	Lane Length (km)	AADT (average over link)	*ESA (show % by each Austroads class and ESA per class)	Veh.kmt	ESA.kmt
<b>Total</b>						

\*A traffic section based value of ESA per vehicle class is to be used in accordance with Austroads recommendations.

### Maintenance Performance Report

The following is the Australian Government's requirements for the annual report due by 30 September each year.

#### 1) Provision of data

Data is to be provided electronically with geo-referencing.

On dual carriageways, condition data is required for both carriageways with each carriageway individually referenced.

#### 2) Road characteristics data

The following road characteristics data is required:

- Roughness – International Roughness Index (IRI) for the latest year available;
- surfacing age, or n/a if not applicable –with reason e.g. concrete pavements;
- target surfacing age or n/a if not applicable;
- seal width; and
- speed limit.

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Road characteristics data should be provided for short, convenient road lengths of about 1 kilometre.

3) Road use data

The following road use data is required:

- Annual Average Daily Traffic (AADT) with year recorded or derived; and
- percentage of heavy vehicles.

Road use data should be provided at the most detailed level held by the Agency.

4) Maintenance expenditure

The following maintenance cost data is required:

- total annual maintenance expenditure (including rehabilitation/reconstruction) for each road link for the previous financial year, showing pavement and off-pavement expenditure.
- the planned pavement maintenance budget (including rehabilitation/reconstruction) in the current financial year for each link to achieve the proposed condition outcomes, together with the estimated cost of off-pavement maintenance (i.e. the estimated total maintenance expenditure).

5) Maintenance funding

The Australian Government's maintenance funding will be capped at 25 per cent of a State's annual allocation until a compliant report for the preceding year has been received.

6) Maintenance indicators

The Australian Government uses two indicators, Preventative Maintenance (PMI) and Riding Quality (RQI), to monitor road conditions under the MOUs. These indicators are described in the procedure manual.

# APPENDIX H: LAND TRANSPORT EXPENDITURE

The following table shows the data required for the road maintenance allocation formula due by 30 September each year.

The screenshot displays the 'Infrastructure Management System 3.1.7' interface. The main content area is titled 'PJ07 - Land Transport Expenditure Report' for the 'Australian Rail Track Corporation Limited'. The report status is 'Draft' and the closing date is blank. The interface includes a navigation menu on the left with options like 'Organisation', 'Find', 'Details', 'Attachments', 'Tasks', 'Monthly Report', 'Annual Reports', 'Annual Financial Statement and Audit Report', 'Land Transport Expenditure Report', 'State Cash Flow Projections Report', 'Road Maintenance Formula Data Report', 'Road Maintenance Performance Report', 'Projects', 'Project', 'Find', 'Reports', and 'Program Admin'. The main content area shows the following table:

	Previous Financial Year 2007-08	Current Financial Year 2008-09
State expenditure on National Land Transport Network from own source revenue	<input type="text"/>	<input type="text"/>
Total own source expenditure on land transport infrastructure (including payments to local government)	<input type="text"/>	<input type="text"/>
Total own source payments to local government for land transport infrastructure	<input type="text"/>	<input type="text"/>

Buttons for 'Submit', 'Print', 'Save', and 'Cancel' are visible at the bottom of the form area. The footer of the browser window shows 'Local intranet | Protected Mode: On' and a zoom level of '100%'.

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## APPENDIX I: DATES FOR SUBMISSION OF REPORTS

Monthly Progress Report (Appendix D)	13 <sup>th</sup> each month
Cash Flow Projections (Appendix E)	28 February
Nation Building Implementation Plan (Appendix F)	31 July
Maintenance Performance Report (Appendix G)	30 September
Road Maintenance Formula Data (Appendix G)	31 December
Land Transport Expenditure (Appendix H)	30 September
Annual Financial Statement, Audit Report and signed Statement from the Chief Executive Officer (Appendix C)	31 December
Post Completion Report (Appendix J)	Within 6 months of physical completion

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## APPENDIX J: POST COMPLETION REPORT

PROJECT: .....

PROJECT NUMBER: .....

RECIPIENT: .....

### Scope and Quality

Were there any changes to scope or quality following approval of the delivery phase that have not been the subject of a formal proposal for variation<sup>1</sup>? YES / NO

If YES, please provide details below:

Scope / Quality Change	Rationale
•	•

### Time

Project Period as agreed on approval of the delivery phase		Actual Project Period	
Construction Start Date	Physical Completion Date	Construction Start Date	Physical Completion Date

Provide details of the rationale for changes to the construction start or physical completion dates and how the impact of these changes was managed.

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<sup>1</sup> Any unapproved changes to scope and quality will require further investigation by the Department and the project will not be considered formally closed until this has been resolved.

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## Performance

Have the performance indicators agreed at project approval been achieved?

If YES – describe how they have been achieved

If NO – explain why, or identify when these performance indicators can be assessed

As per the MOU objectives, have there been any innovative project delivery techniques that have resulted in any positive economic, safety, social, environmental, integration or transparency outcomes? [e.g. use of recycled material, techniques to reduce water and energy consumption, or project delivery methods that deliver project savings]

## Cost

[Provide a summary of information detailed in the financial closure statement]

.....  
[Name]

.....  
Date

.....  
[Position and Organisation]

For Office Use Only			
Has the funding recipient provided, to our satisfaction, all the information required?	Yes	<input type="checkbox"/>	No <input type="checkbox"/>
Is any follow up required with the funding recipient?	Yes	<input type="checkbox"/>	No <input type="checkbox"/>
Comments:			
Project Officer		General Manager	