

NOTES ON ADMINISTRATION

For the

NATION BUILDING PROGRAM

**For projects funded under
Part 6 of the
Nation Building Program (National Land Transport) Act 2009
where payments are made to a Local Government Authority**

ISSUE DATE

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1 INTRODUCTION

1.1 Status of the Notes

If any requirements in these Notes on Administration (Notes) are inconsistent with the terms of the *Nation Building Program (National Land Transport) Act 2009* (the Act) or the Funding Agreement, the Act and Funding Agreements 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 Off-Network projects funded under Part 6 of the Act where payment is made directly to a local government authority.

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; and
- 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.

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

Term	Definition
(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.
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 and Transport
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
Evaluation Period	The expected life of the asset created by the initiative
Funding Agreement	A written agreement between the Commonwealth and an eligible funding recipient
Funding recipient	A Proponent for a project following funding approval under the Act
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
LGA	Local Government Authority
Minister	The Australian Government Minister administering the Act
National Guidelines	National Guidelines for Transport System Management endorsed by the Australian Transport Council in November 2006
National Project	A project approved by the Minister under Subsection 9(1) of the Act
NPV	Net Present Value
Off-Network Project	A project approved by the Minister under Subsection 53(1) of the Act
Physical Completion	The stage in the execution of work when the works are complete except for minor omissions and minor defects (The initial line-marking, guardrails and signs for the project are complete but not the landscaping, final line-marking or defects liability period)
Proponent	A State, an authority of a State, a local government authority 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

1.4 Department contacts

The principal contacts in the Department for Nation Building Program 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

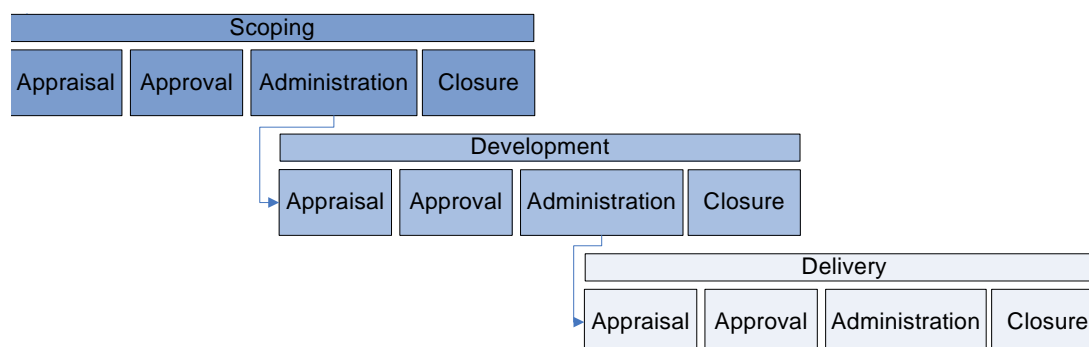
Rail projects:

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

Postal Address: 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 through IMS by the 13th of each month. 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, and acquitted in the manner specified in Section 6 of the Notes, it is then formally closed.

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; and
- 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 the submitted 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; and
- comply with the legislative requirements of the Act.

Commencement of payment of funds to funding recipient

The payment of Australian Government funds to a funding recipient on an approved project shall only commence after: a Funding Agreement has been executed by both the Commonwealth and the funding recipient; and any conditions for payment of those funds contained in the Funding Agreement have been met.

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 annually approved program, or relevant Funding Agreement. 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 and benefits of the combined project. 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. Depending on the scale of a project, a PPR should 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:

- the extent to which the project is likely to improve the ability of industries and communities to compete in international, inter-State or inter-regional trade and commerce;
- the results of any assessment of the economic, environmental or social costs or benefits of the project;
- the extent to which the project will improve the safety of transport operations;
- the extent to which the project is likely to improve access for communities to services and employment;
- for projects that relate to roads in areas for which no local government authority has responsibility—the extent to which the project will improve or maintain the serviceability of a road in such an area; and
- the extent to which persons other than the Commonwealth 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.

3.5 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

There may be a need from time to time to vary project particulars. This might be necessary as the project is further developed and refined or in response to planning approval conditions.

As total project funding under the Nation Building Program is capped, if a variation is being considered, the funding recipient must reconsider the scope and construction design being proposed for a project to reduce Actual 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.

3.7 Management of Project Savings

Project savings may be realised if the Actual Project Cost is less than the Estimated Project Cost. If the funding recipient expects that such savings may be realised on the project they should notify the Department as soon as possible after that potential saving is identified and prior to the Completion Date. The funding recipient is to include in its advice other related projects to which the savings could be allocated.

If the Actual Project Cost is less than the Estimated Project Cost then, if requested by the Department the funding recipient must, within 20 Business Days of the Completion Date, repay this saving to the Department (using the calculation method in the Funding Agreement).

The Commonwealth may also consider any proposals for reallocation of the savings to related projects. Any such reallocation will only occur if it is consistent with the Act and if it is approved by the Commonwealth at its discretion.

4 FUNDING CONDITIONS

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

- 1) The Act;
- 2) Funding Agreements (where entered into); and
- 3) 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 Part 6 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 (refer to Section 4.3.1).

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 (refer to Section 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.

- 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 (refer to Section 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 Tender requirements

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 requirement¹ and ensure that it meets its obligations under Clause 4.2.1 and 4.2.2 (refer to Appendix A: E2, E5 and E6).

4.1.6 Local governments must maintain their own source expenditure on certain transport infrastructure

LGAs must maintain the level of expenditure from own source revenue² on roads in their local government area as required under Section 62 of the Act.

4.1.7 Other funding conditions

A Funding Agreement may specify a condition by applying, adopting or incorporating any matter contained in an instrument or other writing as in force or existing from time to time.

4.2 Compliance with other laws

Funding recipients are required to comply with all other relevant laws, included those identified below.

4.2.1 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) outlines 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 programs where:

¹ 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.

² Own source revenue is that generated by the LGA as distinct from granted by the Commonwealth. These include, but are not limited to, local government rates, sales of goods and services, interest income and royalties and dividends from public trading enterprises.

- the Australian Government funding contribution is at least \$5 million and represents at least 50 per cent of the total construction value; and
- 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:

<http://www.deewr.gov.au/WorkplaceRelations/Policies/BuildingandConstruction/Pages/NationalCodeandGuidelines.aspx> or contact the National Code Hotline on 1300 731 293.

4.2.2 The Australian Government Building and Construction Occupational Health and Safety Accreditation Scheme

Under the *Building and Construction Industry Improvement Act (2005)*, Australian Government agencies can only fund “building work” when, subject to thresholds, an accredited builder is engaged.

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; 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 (FSC) website at <http://www.fsc.gov.au/ofsc/Theaccreditationscheme/> or contact the FSC Assist Line on 1800 652 500.

4.2.3 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.

4.2.4 Other statutory requirements

In addition to Australian Government environment and heritage legislation, 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; and
- 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.

4.3 Funding Conditions in the Funding Agreement

4.3.1 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 that is not due to the funding recipient failing to properly administer tender processes and supervise and manage relevant contracts; and
- 5) the costs of incorporating cost effective Intelligent Transport Systems (ITS) features within the project.

Unless agreed otherwise in writing at the time of defining the project scope or subsequently, 'eligible project costs' do not include the cost of artworks or elaborate aesthetic features associated with a project.

4.3.2 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. 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 upon submitting a PPR (Appendix A).

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

4.3.3 Written evidence of other funding contributions

The funding recipient must provide written evidence of other funding contributions to the project upon submitting a PPR.

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

4.3.5 Signage

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.

Signage must be erected for all projects. The signage guidelines are available from the Department's Website:

http://www.nationbuildingprogram.gov.au/publications/administration/pdf/NationBuildingProgram_SignageGuidelines_July_2009.pdf.

4.3.6 Insurance

The funding recipient must effect and maintain the insurances specified in the Schedule to the Funding Agreement. This obligation survives the expiration or termination of the Funding Agreement for a period of seven years.

4.3.7 Delay

All reasonable steps must be taken to minimise delay in completion of the project. If a delay is anticipated in progressing or completing the Project in accordance with the Funding Agreement, notification in writing of the cause and nature of the delay is to be advised to the Department within 10 business days (unless otherwise advised). Detailed steps to contain the delay must be advised.

No additional payment or funding as a result of any Force Majeure event will be provided.

4.3.8 Termination

The funding recipient must rectify any breach of obligations under the Funding Agreement within 10 business days of receiving written notice to do so by the Department (or such longer timeframe as may be advised in writing by the Department). Any breach that has not been rectified may result in the Department terminating the Funding Agreement.

4.3.9 Private financing

The potential for private sector participation should be considered for all projects over \$50 million, commensurate with the size and nature of those projects.

5 PROGRAM AND PROJECT REPORTING

5.1 Cash flow requirements

Funding recipients must provide the Department with a forecast funding requirement for each 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.

5.2 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 13th 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:

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

Monthly payments against claims will be received by funding recipients in two payments (on the 22nd of the month and on the 7th of the following month).

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 received by the funding recipient during that year;
 - ii) the amount spent by the funding recipient during that year;
 - iii) the amount retained by the funding recipient as at the end of that year;
 - iv) the application of the OHS Accreditation Scheme (refer to Section 4.2.2 if applicable); and
 - v) the application of the National Code of Practice for the Construction Industry.
- b) a report in writing and signed by the appropriate auditor stating whether, in the auditor's opinion:
 - i) the statement is based on proper accounts and records;
 - ii) the statement is in agreement with the accounts and records; and
 - iii) the expenditure referred to in subparagraph (a)(ii) has been on the funded project.

Note that the 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 project start, completion dates or 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 proposed tenders and tenders awarded for the project in the previous month, the successful tender and value of the contract in each case. 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. If the project is an Occupational Health & Safety Accreditation Scheme eligible project, the funding recipient is also to provide confirmation that it has complied with the Occupational Health & Safety Accreditation Scheme.

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.

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.

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, as detailed in Appendix G. 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.

7 PROJECT EVALUATION

If the Department determines the need to review and evaluate project delivery (against the PPR/Funding Agreement) or the longer-term benefits derived from a project/s, parties will agree to cooperate in any joint evaluation of projects. This is aimed to facilitate both performance review of projects and continuous improvement of investment decision-making. Evaluation of completed projects will focus on establishing the extent to which project performance indicators have been achieved and review the accuracy of demand forecasts and cost estimates used in the assessment of projects, 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 upon or at the post completion stage.

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 Section 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 (if applicable).
- A4 Project Name.
- A5 Project Scope.
- A6 Project Description.
- A7 Project Location.
- A8 Geographical References.
- A9 Under which category of the Act is the project eligible for approval?
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
- A11 Detail Project Partners.

B. PLANNED OUTCOMES AND OUTPUTS

- B1 Describe the performance objectives and intended outcomes for this project.
- B2 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).
- B3 Identify what baseline data is available for metrics identified in B2 against which to compare data recorded post project completion.
- B4 Describe the planned outputs for this project.

C. PROJECT APPROACH AND TIMING

- C1 Is your project over \$50 million? YES/NO
 If 'YES' – 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.
- C2 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?
- C3 What assumptions have been made in deriving the critical path set out under C2?
- C4 Upon signing a Funding Agreement with the Commonwealth, will substantial payment/s be required to progress the project? Detail why the substantial payment is required and the benefits to the project and Commonwealth in doing so.

D. FINANCIAL ANALYSIS**Estimated Project Cost**

- D1 What is the Estimated Project Cost?
 (Estimated Project Cost, also referred to as Total Outturn Cost, is Base Estimate + Contingency + Escalation.)

Budget

	2010-11	2011-12	2012-13	2013-14	Total
Australian Government	\$	\$	\$	\$	\$
XYZ Shire	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$

Costing (where practicable) [if not practicable, please outline reasons why]

Planning and Design	
Construction	
Services/ Utilities Relocation	
Environmental Assessment	
Land Acquisition	
Landscaping	
Project Management/ Supervision	
Public Recognition	
Other	
TOTAL	

- D2 Did the Scoping Phase identify any cultural, social, environmental or planning issues?
YES / NO / N/A
If yes, please provide details.
- D3 What Evaluation Period has been used for the life expectancy of the project?

Project Benefits

- D4 Provide details of the expected economic, social and environmental benefits expected from this project.
Where practicable, proponents should monetise all benefits identified and provide details of the Benefit Cost Ratio (BCR) and Net Present Value (NPV) using a discount rate of 4.4 per cent. If not practicable, please outline reasons why.

E. RISK AND GOVERNANCE

- E1 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.
- E2 Is a tender being issued for this work? YES / NO
For projects not proposing to call for public tender, detail how the proposed procurement strategy will meet the value for money requirement.
- E3 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.
- E4 How will public and stakeholder participation be facilitated during this project?
- E5 Do the Guidelines for the National Code of Practice for the Construction Industry apply to this project? YES / NO
If no, please state why.
If yes, confirmation that the Construction Code and Implementation Guidelines will be complied with must be provided (Refer to Section 4.2.1).
- E6 Does the Occupational Health & Safety Accreditation Scheme apply to this project? YES / NO
If no, please state why.
If yes, confirmation that the scheme will be complied with must be provided (Refer to Section 4.2.2).

F. SUPPORTING DATA (If Available)

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:

APPENDIX B: EXPLANATORY NOTES - PROJECT PROPOSAL REPORT

A. 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 (if applicable).
- A4 The Project Name should be consistent with the name that was in the Departmental letter to the funding recipient requesting the PPR.
- 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 A project description 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 a few paragraphs.
- A8 Provide details of the location of the project. Geographical references for the project should be provided in a MapInfo, MIF/MID or ESRI SHP file.
- A9 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;
 - 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).

B Planned Outcomes and Outputs

B1 Performance objectives may include, but are not limited to, reduced travel times, improved capacity and safety, and improved pedestrian and cycle facilities.

Project outcomes may include, but are not limited to, mode separation (bikes from cars, buses from general purpose lanes etc.), completion of a network connection and grade separation of traffic streams.

B2 Metrics that can be measured include, but are not limited to, travel time, level of service, delay, queue length and crash rates. Proposed targets are at project completion, not at the end of the planning horizon.

C Project Approach and Timing

C1 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. 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.

C2 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. A small land transport infrastructure project may require fewer milestones. Answers to questions in part C will form the basis of progress reporting for an approved project.

C3 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 LGA planning approval or environmental impact studies.

C4 Substantial payment/s of Commonwealth funding upon signing a Funding Agreement will need to be justified, including details of the benefit to the project and Commonwealth in doing so.

D. Financial Analysis

D1 Proponents should refer to the 'Lift Out Guide to Best Practice Cost Estimation' for guidance on the Estimated Project Cost, which can be obtained from the Department. Under these Notes, compliance to the Standard is not mandatory for LGAs however it is the Department's recommended method for calculating estimated cost. If another method has been used, please provide details.

If project delivery is expected to extend over multiple years, or start more than a year into the future, Escalation is an important component of the Estimated Project Cost. Escalation is included to provide adequate capital funding to compensate the project for forecast cost increases due to inflationary imposts in the construction sector.

D3 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. 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 benefits for the remaining life of the asset beyond the appraisal period) identified as an additional benefit.

D4 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.

The Benefit Cost Ratio (BCR) is the present value of benefits less operating costs, divided by the present value of investment costs. The Net Present Value (NPV) is defined as the present value of a future benefit less the present value of future costs.

If a BCR or NPV has been calculated for the project it should be included in the information provided at D4. The same discount rate should be applied to the NPV and BCR. The discount rate reflects what benefits in today's prices would be worth in the future. If alternative project delivery options were considered, provide details of the basis on which the preferred option was selected.

E. Risk and Governance

- E1 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.
- E4 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; and
 - relevant legislative requirements.

F. Supporting Data

a) 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.

b) 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.

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 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;
- the financial statement is in agreement with the accounts and records; 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 – refer to Section 4 of the Act - means:

- a) in relation to a person or body whose accounts are required by law to be audited by the Auditor-General of a State—the Auditor-General of the State; or
- b) in relation to a person or body whose accounts are required by law to be audited by the Auditor-General of the Commonwealth—the Auditor-General of the Commonwealth; or
- c) in relation to any other person or body—a person (other than a director, officer or employee of the person or body) who is:
 - registered as a company auditor or a public accountant under a law in force in a State; or

- a member of the Institute of Chartered Accountants in Australia or of the CPA Australia.

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 purposes¹ in relation to funded projects and only on eligible project costs as defined in the 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 the 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; and
- conditions outlined in any Funding Agreement with the Australian Government have been met.

¹ '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.

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 next month.

Project Progress

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

- Known risks¹ to project completion and the strategies adopted to mitigate those risks.
- Issues arising that will impact on project completion.
- Progress against agreed milestones².
- Any changes to information 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, or completion of, a key project stage.
- Details of any Construction Code and Scheme breaches.

The monthly progress report is to be entered into IMS by the 13th 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.

¹ 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.

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

APPENDIX E: ANNUAL CASH FLOW PROJECTIONS

Cash flow projections: due by 28 February each year

Cash Flow Projections Report for 2010-11		
Organisation Name:	XYZ Shire	Report Status Draft
Project Number:	00014-97XYZ-OFFNETWORK	
Project Name:	The XYZ Road Extension	
February 2010		
March 2010		
April 2010		
May 2010		
June 2010		
FY -	2010-11	
- July 2010		
- August 2010		
- September 2010		
- October 2010		
- November 2010		
- December 2010		
- January 2011		
- February 2011		
- March 2011		
- April 2011		
- May 2011		
- June 2011		
Out Year 1-	2011-12	
Out year 2 -	2012-13	
Out Year 3-	2013-14	

APPENDIX F: DATES FOR SUBMISSION OF REPORTS

Monthly Progress Report (Appendix D)	13 th each month
Cash Flow Projections (Appendix E)	28 February
Annual Financial Statement, Audit Report and signed Statement from the Chief Executive Officer (Appendix C)	31 December
Post Completion Report (Appendix G)	Within 6 months of physical completion

APPENDIX G: 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 variation¹? 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

¹ 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.

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

Performance

Have the performance indicators agreed to 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 project 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]

Statement

A statement that:

- project signage has been installed and will remain in place for two years after the physical completion of the project; and
- you have submitted your final Annual Report; or
- you are aware of the need to submit a final Annual Report for the current financial year as soon as practical after 30 June and by no later than 31 December.

[You may wish to consider completing your final Annual Report for this Project prior to that due date to facilitate acquittal of the Project].

.....
[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	