

Partnerships Victoria Requirements

May 2013

Version Control

Version Control	Last Updated	Updated sections	Rationale
1	February 2009		Original publication
2	January 2010	Section 12 and Annexure 6	<i>Public Sector Comparator (PSC) Requirements.</i> The new requirement is for Procuring Agencies to conduct an internal quality assurance review PSC workshop. The workshop objective is to reduce the risk of error or inaccuracy by cross-checking the PSC outputs against the inputs and assumptions, prior to release of the Request for Proposal.
		Annexure 3	A change made to the Notes related to Discount Rate Inputs.
3	May 2013	Material revisions throughout document	Updates made to reflect reforms to the PPP model introduced following industry and practitioner consultation.

The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne Victoria 3002
Australia

Telephone: +61 3 9651 5111
Facsimile: +61 3 9651 5298
Website: www.partnerships.vic.gov.au

Authorised by the Victorian Government
1 Treasury Place, Melbourne, 3002.

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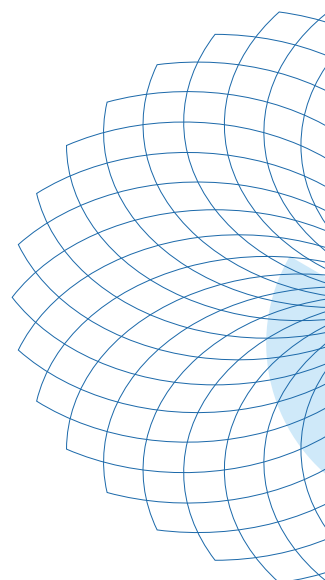
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Treasurer's foreword

Victoria has a proud history of being at the forefront of public private partnership (PPP) delivery. The new *Partnerships Victoria* Requirements will see the next phase of PPP projects in Victoria deliver high quality infrastructure and services to the Victorian community.

The new Requirements are designed to ensure the PPP model evolves to respond to a more dynamic economic environment.

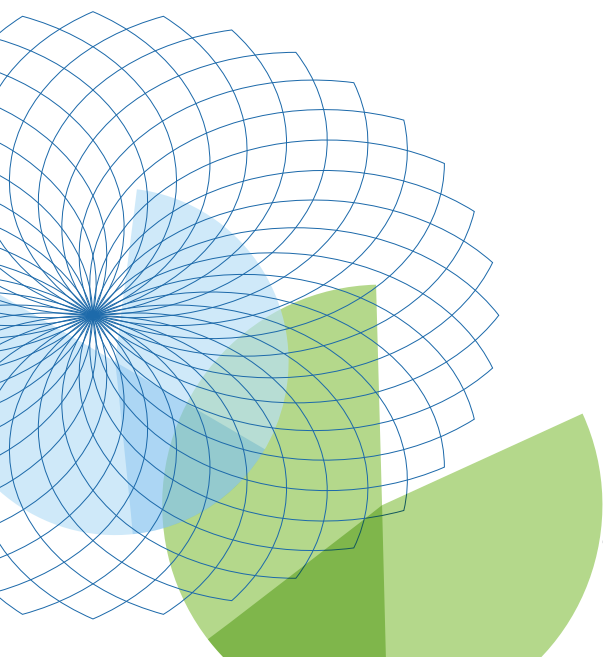
The PPP reforms are one part of the Victorian Coalition Government's strategy to deliver the critical infrastructure Victoria needs, in partnership with the private sector.

The Requirements outline a consistent approach to tender processes and governance structures to facilitate efficient and effective decision making. Strategies for timely project delivery can reduce bid costs for both government agencies and the private sector.

Importantly, the broader PPP market and practitioners have helped shape the PPP reforms. These Requirements enable government agencies to conduct clear and transparent tenders that maximise opportunity for private sector input and innovation.

These Requirements will establish the framework for a new generation of PPPs to deliver key infrastructure and better services for the benefit of all Victorians.

HON. MICHAEL O'BRIEN, MP
Treasurer



1. Introduction

Public Private Partnerships (PPPs) play an important role in infrastructure delivery. The PPP model promotes government objectives including maximising the efficiency, social and economic returns from government expenditure, promoting growth and sustainability in Victoria, and ensuring value for money over the longer term.

The environment that PPPs operate in continues to change. The Victorian Government has responded by reforming the PPP model in Victoria in consultation with our key industry stakeholders. The areas of reform are:

- » committing upfront to the PPP model with no automatic reversion to traditional delivery;
- » using the public sector comparator (PSC) as a benchmark to test value for money but also using a scope ladder for specific projects;
- » using modified financing structures which deliver value for money in project specific circumstances;
- » expanding the PPP model to include more services, including services previously publicly delivered;
- » developing a streamlined model for smaller scale projects; and
- » continuing to identify tender process efficiencies to reduce bid costs.

PPP projects are procured under the *Partnerships Victoria (PV) Framework* that requires compliance with both:

- » the National PPP Policy and PPP Guidelines; and
- » the Victorian specific requirements outlined in this *Partnerships Victoria Requirements* document and annexures.

The National PPP Policy and Guidelines apply to all Victorian PPP projects released to the market from January 2009. Where the National Guidelines allow flexibility, the Victorian specific requirements in this document and related information apply (see in particular the information on commercial principles published on the *Partnerships Victoria* website).

Under the national guidelines, there is a policy requirement to consider PPP delivery as one of the procurement options when planning for any capital expenditure over \$50 million.

The *Partnerships Victoria Framework* complements the investment lifecycle and High Value High Risk (HVHR) guidelines (lifecycle guidelines) and other asset management initiatives that apply in Victoria. These whole-of-government policies continue to apply to Victorian PPP projects.

These *Partnerships Victoria Requirements* include a range of contract management guides and practice notes that are important for effectively managing long-term contracts.

Figure 1 depicts the overarching policy framework applicable for all Victorian PPP projects.



Figure 1: Relevant Guidance for Victorian PPP Infrastructure Projects

2. Coverage of the Policy and Guidelines

The policy applies to public infrastructure projects when the estimated value of payments to be made by the Government (and/or by consumers of a service) will exceed \$50 million for the assets underpinning the services to be delivered.

Assets below this threshold could use a streamlined PPP approach if they have suitable value for money drivers.

The National PPP Policy and Guidelines and *Partnerships Victoria* Requirements apply to all PPP projects entered into by Victorian budget sector agencies.

Application of the policy to the provision of infrastructure by a Government Business Enterprise (GBE) shall be determined on a project-by-project basis, following consideration by the Portfolio Minister of the business plan of the GBE. One variant process is set out in the Annexure 7A Non-Metropolitan Urban Water Authority Approval Process.

The Treasurer remains responsible for developing and overseeing the *Partnerships Victoria* Framework. The Treasurer is responsible for Victorian contributions to the National PPP Policy and Guidelines.

With the assistance of Infrastructure Australia, the Council of Australian Governments (COAG) will monitor, review and from time to time refine the National PPP Policy and Guidance material. COAG is responsible for approving substantive changes to the National Policy and Guidelines. Individual jurisdictions are responsible for maintaining and updating their specific jurisdictional requirements.

3. Scope of services

The national policy applies to the provision of public infrastructure and any related services which involve private investment or financing. In Victoria the term infrastructure can extend beyond physical assets to encompass major information technology procurements. The policy does not apply to the general procurement of services by the Government where public infrastructure is not being provided.

The Victorian Government is committed to delivering services efficiently and in new and innovative ways that prioritise the community's needs. Part of this is examining whether and which (if any) internal services can be more efficiently provided by the private sector or made more contestable.

The extent of services included for delivery in a PPP project should be considered on a case by case basis at the early planning stages of the business case. The scope of services will include consideration of publicly delivered services (previously considered core) and a greater package of ancillary services where appropriate to be delivered by the private sector.

In considering the scope of services to be included in a PPP Government will assess any public interest impacts together with the potential improvement in value for money and broader service outcomes.



Royal Children's Hospital

4. PPP as a procurement option

All public infrastructure projects with a Total Estimated Investment (TEI) in capital goods over \$50 million, are required to evaluate a PPP as a potential procurement method with regard to the value for money drivers, when conducting a procurement options analysis and seeking government approval for a project. The capital threshold may be triggered by bundling projects together.

There is opportunity to use the key commercial principles and performance incentives in the PPP model while tailoring the procurement process for smaller scale projects. Procuring Agencies should consider projects of a smaller scale for PPP delivery where they exhibit sufficient value for money drivers. The Department of Treasury and Finance (DTF) is currently identifying pilot projects and developing commercial principles to support smaller scale procurement using a streamlined PPP model. Procuring Agencies should consult with DTF where a potential smaller scale PPP project is identified.

The procurement options analysis is to be done in accordance with the *National PPP Guidelines Procurement Options Analysis*, and Victorian guidelines such as the *Investment Lifecycle* and *High Value High Risk Prove and Procure Guidelines*.

5. PPP project governance

Each PPP project in Victoria will have Ministerial oversight of project delivery and implementation. A designated Portfolio Minister will have responsibility for delivering the PPP project and/or ongoing ownership of the project with responsibility for management and implementation once the procurement process is complete.

Procuring Agencies are responsible and accountable for delivering the PPP project and securing the desired outputs and outcomes. Procuring Agencies must secure the required Government approvals, establish a procurement team and governance framework, manage key stakeholders and deliver the project consistent with broader Government policies and objectives. The Procurement Team is led by a Project Director who should be appropriately skilled and resourced.

DTF is the Relevant PPP Authority as defined in the National PPP Guidelines. DTF is not responsible for direct project delivery but has a broader quality assurance and advisory role. DTF has whole of government responsibility for:

- » maintaining and ensuring Procuring Agencies consistently apply the *Partnerships Victoria* Framework;
- » supporting and reviewing *Partnerships Victoria* projects, including providing advice to Government at key project approvals; and
- » monitoring and independently advising the Treasurer and Cabinet on significant PPP issues.

Strong governance arrangements are integral to successful PPP project delivery. DTF must be appropriately consulted in development of governance arrangements and participate at all levels of the governance framework. At a minimum:

- » High Value High Risk (HVHR) projects must report to Government through the Major Project Performance Report. DTF will actively monitor project risks through the HVHR Assurance Committee;
- » senior representatives of DTF and the Department of Premier and Cabinet must be members of the PPP Project Steering Committee. DTF must also be represented at the project working group level;
- » Procuring Agencies remain responsible for key project appointments. Procuring Agencies must consult with DTF on key appointments such as Project Directors, Commercial/ Transaction Managers and project advisers; and
- » the Project Director must provide signoffs to DTF at key milestones and also obtain signoffs from key advisers at each stage of the procurement process to give greater confidence that key risks are understood and managed, and to give greater confidence about the reliability of the PSC and other project delivery outputs. DTF will provide advice to Procuring Agencies on the required form and content of these signoffs.

Consultation must occur with DTF to agree any variations to the standard commercial principles /risk allocation or precedent contractual documents during the tender process and once contracted, including any significant contract variations or modifications and any disputes.

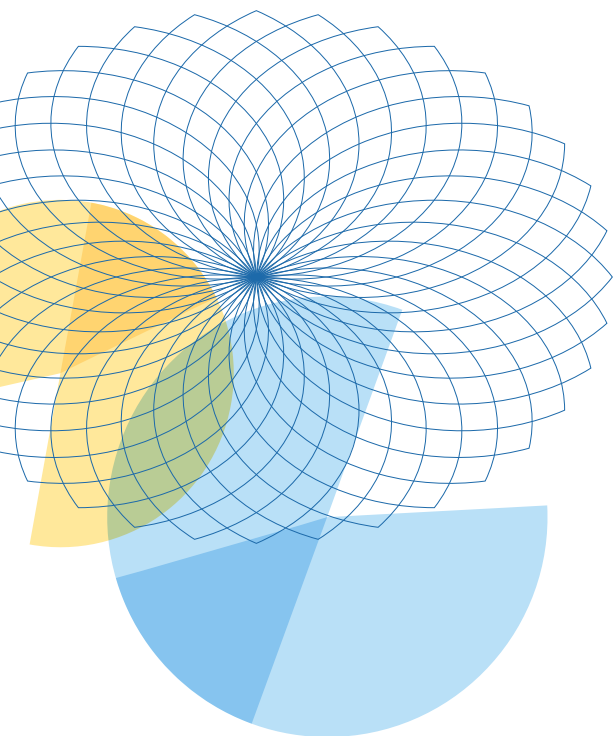
Procuring Agencies must also specifically consult DTF in relation to budgeting, accounting and taxation matters on PPP projects.

PPP projects will be subject to gateway reviews (except for Gate 4) in accordance with the Gateway Review Process www.gatewayreview.dtf.vic.gov.au/.

Procuring Agencies should also consider further assistance available from:

- » the Victorian Government Architect in relation to design matters in the project development phase and ongoing tender phase of PPP projects. Further information is available at The Office of the Victorian Government Architect <http://www.ovga.vic.gov.au/>; and
- » the Victorian Construction Code Compliance Unit in accordance with the *Implementation Guidelines to the Victorian Code of Practice for the Building and Construction Industry*. Further information is available at www.dtf.vic.gov.au/viccode.

The Auditor-General will have full and complete access as required to information on any Victorian PPP project.



6. Approval process

Underlying *Partnerships Victoria* is a commitment to thorough project preparation and an efficient Cabinet approval process. In accordance with the National PPP Guidelines and these *Partnerships Victoria* Requirements, the key approval steps for budget sector agencies include:

Stage	Approval required
Review of project proposal	DTF HVHR Review of initial investment logic and Project Development (including Preliminary Business Case), including Gate 1 Strategic Assessment. DTF HVHR Review of full Business Case (including scope of services), Procurement Options Analysis, preliminary PSC and Public Interest Test, including Gate 2 Business Case. DTF must agree the budget impacts of the project in accordance with the budget process requirements.
Government approval of project and procurement method	Government to approve: a. the investment decision (budget funding) based on a Business Case (including the Public Interest Test); and b. the procurement model based on the Procurement Options Analysis and Strategy.
Government approval of Expression of Interest (EOI)	Government to approve release of Expression of Interest document. Following release of EOI and evaluation of responses, the Government may approve or endorse the short-list of bidders.
Government approval of PSC and Scope Ladder	Government to approve the Public Sector Comparator at the same time as RFP approval. This approval step approves the scope ladder and level of PSC disclosure to bidders.
Government approval of Request for Proposal (RFP)	Government to approve release of Request for Proposal to short-listed bidders, including any modified financing structure and variations to standard tender process (to improve efficiency or address project specific issues). The relevant Gateway Review conducted prior to seeking approval is Gate 3: Readiness for Market.
Government approval of Preferred Bidder	Following evaluation of responses, the Government may approve or endorse the appointment of a Preferred Bidder, or alternative strategy to reach Preferred Bidder.
Government approval of contract execution	Following negotiations, Government or the Portfolio Minister in consultation with the Treasurer to approve contract execution. Portfolio Minister to report back to Government to note the financial close outcome or seek approval if any funding implications arise from financial close process.
Ministerial approval of project summary and contract publication	The Portfolio Minister in consultation with the Treasurer to approve the release of the project summary and contractual documents within three months of financial close.
Ministerial approval of Contract Management Plan	The Portfolio Minister in consultation with the Treasurer to approve the Contract Management Plan within three months of financial close.
Commissioning	The Agency to consult DTF on final form of Contract Administration Manual and project governance for the operating phase of the project. Gateway Review: Gate 5 Readiness for Service to be conducted.
Government approval of material variations during operations	There is an ongoing requirement for material contract variations to be considered and approved by the Government. Agencies to consult and agree with DTF on all significant PPP related contractual matters.
Operations	Gateway Review: Gate 6 Benefits Evaluation should be conducted. The Procuring Agency should discuss the timing of these reviews with DTF.



Peninsula Link

Additional Government approvals are also required in certain situations, such as where there is:

- » a material change to the project including an amendment to the key project objectives, scope of services, or where there is significant change to the conclusions, or major assumptions of the business case (including the economic and financial appraisals);
- » a material change in the projects risk profile since last government approval stage (e.g. due to change in market appetite, feedback or responses, or changes in law or policy) which requires Government consideration;
- » an amendment to the approved funding is required; and
- » a significant issue relating to the public interest.

Unless otherwise declared to suit the requirements of a particular project, this accountability structure and approval process will be applied consistently for PPP projects. Exceptions to this may be considered for GBE's, for example the *Partnerships Victoria* Non-Metropolitan Urban Water Authority Approval Process which is a streamlined process for smaller capital value projects.

Budgeting for PPPs

PPP project budgets are developed consistent with all other procurement methods for consideration as part of the initial investment decision and business case process (refer *Prove Lifecycle guideline*).

If approved as PPP delivery, the budgeting for PPPs will differ from other procurement approaches. Procuring Agencies should consult DTF when developing business cases that propose PPP procurement.

Once a project is approved as PPP delivery, the Government will reflect in the Budget the expected PPP capital cash flows for that project as an estimated finance lease liability, and any capital contribution expected to be made by the State consistent with project approval. This differs from the previous practice of budgeting Total Estimated Investment (TEI) as an assumed traditional build in the Forward Estimates up to contract award. The budgeting for other costs such as the asset maintenance, lifecycle and operational costs is to remain consistent with current practice.

7. The use of the Public Sector Comparator and scope ladder

The Public Sector Comparator (PSC) remains an important tool to ensure that Government is an informed buyer and has the knowledge to drive competitive outcomes during the tender process. It is used in a number of ways to drive outcomes in PPP projects, including:

- » a preliminary PSC used to better understand the potential for value when seeking Government approval for using a PPP as the preferred procurement method at the business case stage; and
- » a full risk adjusted PSC used as a cost benchmark for bidders to beat during the procurement process. There is no longer an assumption that should the PSC cost expectations not be met through a competitive process that the Government will use the PSC as the basis to a revert to traditional design and construct delivery.

The Procuring Agency is required to develop a PSC that must be approved by Government prior to the release of the Request for Proposal document. Any subsequent material changes must also be approved.

Disclosure

The Government will determine the level of disclosure of the PSC and the scope ladder for each project based on project specific circumstances. Current practice of disclosing the raw PSC will continue with consideration given to complex projects that could benefit from disclosing the full PSC as an affordability benchmark and scope ladder to short listed bidders.

Scope ladder

A new requirement is for the Procuring Agency to develop a scope ladder for approval alongside the PSC. The level of development of the scope ladder will be informed by the type of PPP project. In a typical PPP project, a scope ladder would not be disclosed to bidders and only be used to inform negotiations if bids were above the PSC. Whereas for projects that have a complex output specification or where government is seeking to maximise scope, a clearly defined scope ladder would be disclosed to shortlisted bidders alongside the Risk Adjusted PSC as an affordability benchmark in the tender documents.

The purpose of the scope ladder is to identify any scope items bidders can either remove or add should bids be over or under the PSC. Developing the scope ladder concurrently with the PSC and RFP documents means that priorities will be clearly communicated to bidders and Project Directors will have a pre-agreed mandate to negotiate with bidders in order to present scope options to government for decision. Any scope ladder will need clear definition as it is not the intention for the scope ladder to be used to request multiple options from bidders as part of the tender process.

Any scope changes or cost movement against the PSC should be justified based on a full value for money analysis.

Quality Assurance

The accuracy and robustness of the PSC must be assessed prior to Government approval of the RFP. This will include:

- » a quality assurance (QA) review workshop conducted and documented by Procuring Agencies. The objective is to improve the quality of the PSC and reduce risk of error and inaccuracies. It should ensure that outputs are an appropriate reflection of the inputs and assumptions. For guidance on the implementation of this review requirement please refer to www.partnerships.vic.gov.au.
- » a separate DTF managed HVHR review of the PSC by an independent external adviser to ensure that the estimate is robust.

Roles in the development of the PSC and scope ladder

Agency

Primary responsibility for the construction and use of the PSC and scope ladder rests with the Procuring Agency, in particular the development of the output specification and Reference Project for the PSC.

The construction of a PSC requires a high level of specialist skills that will generally require the engagement of external expert advisers. The PSC construction process should be methodical and rational through the proper and systematic recording of cost and risk material throughout the stages of PSC development. Specifically, the Procuring Agency should maintain adequate documented evidence to support all costings and calculations for the PSC approved by government.

Department of Treasury and Finance

DTF may be involved in assisting with developing the preliminary PSC. DTF will review the preliminary PSC as part of the business case.

DTF will review the final PSC and scope ladder when government approval is sought prior to the release of the RFP to bidders. As part of this review, DTF will manage the separate independent HVHR review of the PSC.

DTF is developing guidance to assist Procuring Agencies with aspects of undertaking value for money assessments. This guidance will include detail on the importance of qualitative criteria and assessment.

8. Discount rate methodology

Procuring Agencies are to consult DTF on the appropriate Discount Rate for use in assessing RFP responses. Discounted cashflow analysis is required to compare differing PSC and bid cashflows on a consistent basis. The National PPP Guidelines provide a methodology for determining the discount rates to be used in making this comparison and determining whether PPP delivery offers value for money (refer *Volume 5: Discount Rate Methodology*).

The discount rate methodology under the National Guidelines is **not** appropriate for use in making the investment decision, that is, it is not appropriate for deciding at business case stage whether the investment has merit and should proceed.

The national guidance focuses upon the development of the discount rate for social infrastructure projects, i.e. projects with net cash outflows for government. Different considerations will apply to economic infrastructure projects.

The appropriate national guideline is *Volume 5: Discount Rate Methodology Guidance*. The guideline includes a range of asset beta factors as one of the key inputs in determining the discount rate. Departments must consult DTF to determine the appropriate asset beta factor to be used based on project specific considerations.

Current discount rate inputs and further information on determining the general inflation rate for use in *Partnership Victoria* projects is available on www.partnerships.vic.gov.au.

9. Use of modified financing structures

Modified financing structures should be considered for specific projects where project outcomes can be improved.

Typically, unless there are financial market capacity constraints, construction of PPPs is fully privately financed and effectively repaid by Government over the concession life. An alternative to full private finance is part public finance either during construction or by substantial repayments at or soon after construction completion.

In consultation with DTF, Procuring Agencies should consider government capital contributions where there are liquidity constraints or where there are opportunities to reduce project costs by reducing the level of private capital at risk during the operations period. It is important to maintain sufficient private sector capital 'at risk' to absorb the remaining risks the private party is taking and to incentivise desired performance.

Assessment criteria will be used to determine if a modified finance structure could deliver value for a specific PPP project either for liquidity or broader value for money reasons. The criteria to assess modified structures against a standard PPP approach are:

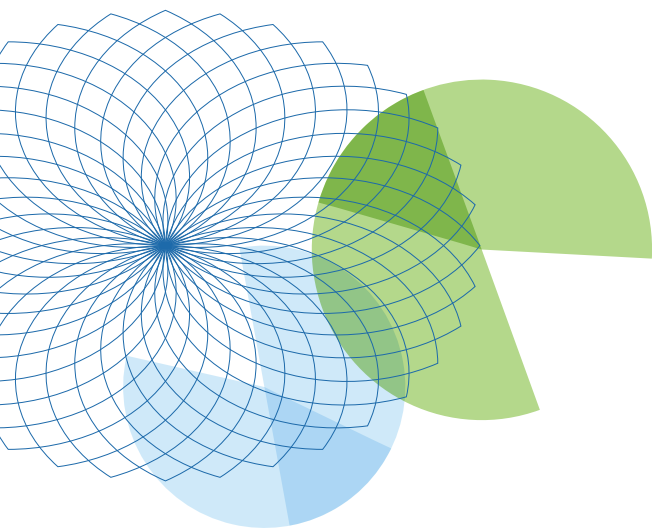
- a. risk allocation;
- b. cost and complexity;
- c. preservation of the benefits of private finance;
- d. competitive tension;
- e. alignment of the tenor of finance with the project's risk profile; and
- f. potential for innovation.

A partial capital contribution can be made by Government in two ways:

- » as milestone payments during construction (e.g. for mega projects where the full private capital to fully finance construction cannot be raised); and/or
- » as a lump sum payment once construction is complete to achieve greater value.

Government approval is required for the use of modified financing structures as part of the RFP approval process on a project specific basis. In consultation with Procuring Agencies, DTF will evaluate modified finance options against the above criteria.

The Government will also consider other structures as appropriate on a specific project basis.





AgriBio, Centre for Agribioscience (Biosciences Research Centre Project)

10. Tender processes requirements

The Victorian Government is committed to reducing bid costs for all PPP projects. Procuring Agencies should continue process improvements, including minimising information requirements for bidders, short listing only two bidders where appropriate and minimising the use of best and final offers processes in PPP projects where possible.

Reimbursement of bid costs

Victoria will trial payment of partial bid costs for PPP projects. It will be used for projects where it will maximise competition by incentivising stronger market responses and attracting better quality bids. The amount of reimbursement will be determined on a project specific basis and will involve partial payment to losing bidders in return for intellectual property where appropriate. The approach for reimbursement will be communicated to bidders upfront at the time of the EOI release and will be funded as part of transaction costs in the business case.

Procuring Agencies should consult with DTF on the potential application of this trial for specific PPP projects.

EOI publication requirements

All Victorian Government tenders, including the Expressions of Interest for PPP projects, are to be advertised on the Victorian Government Tenders Website www.tenders.vic.gov.au in accordance with the requirements of the Victorian Government Purchasing Board www.vgpb.vic.gov.au.

RFP release requirements

The RFP document is to include comprehensive contractual documentation. The issue of the contract as part of, and concurrently with, the RFP, ensures that all shortlisted parties are aware of, and have enough opportunity, to consider the specific contractual terms that government is seeking. It also limits subsequent negotiations to clearly identified and fully drafted departures. The RFP normally includes a statement indicating that government may entertain variations from the contract in nominated areas.

PPP projects must also comply with requirements of the *Implementation Guidelines to the Victorian Code of Practice for the Building and Construction Industry*.

RFP submission requirements

As part of the RFP response, bidders should be asked to submit a fully marked up contract and schedules. Term sheets are sufficient for some of the sub-contracts. While this does consume legal resources at the bidding stage, it leads to a more efficient negotiation stage.

As part of the RFP response, bidders should be asked for evidence of committed finance at bid submission, unless specific project circumstances deem otherwise. This usually takes the form of commitment letters from the providers of both debt and equity. For debt, this is likely to be a firm credit approval or term sheet signed by authorised officers, with clearly defined conditions which government can assess and evaluate. For equity, a demonstration of Board commitment and funding capacity would be required.

The specification of a Complying Proposal should be made and assessed in accordance with project evaluation requirements in the RFP and the project teams' evaluation plan. The evaluation plan will need to address how:

- » to assess any mandatory requirements (i.e. lodgement time);
- » to evaluate how well each bid meets the requirements of the RFP and contract (this involves the project team ranking criteria and outlining how to deal with legal and commercial evaluation and design and service criteria); and
- » to evaluate any additional features or enhancements offered.

The Victorian Government Industry Participation Policy (VIPP) applies to all PPP projects. Bidders will be asked to respond on this matter in accordance with the policy requirements that are available at www.dbi.vic.gov.au. PPP projects must include tender submission requirements in accordance with the Implementation Guidelines to the Victorian Code of Practice for the Building and Construction Industry. Further information, templates and draft contract clauses are available from the Victorian Construction Code Compliance Unit in DTF via www.dtf.vic.gov.au/viccode.

Taxation rulings are not typically required at the bid submission stage, however where concerns regarding tax exist, Procuring Agencies may consider a requirement for a tax ruling as a condition precedent to financial close. The RFP should indicate the Government may require this. Procuring Agencies are to consult DTF on taxation issues.

Interactive tender process

Victorian PPP projects are to incorporate an interactive tender process into the procurement process. This is to be done in accordance with the *National PPP Guidelines Volume 2 Practitioner's Guide, Appendix E* and additional material available on the *Partnerships Victoria* website.

11. National Commercial Principles

The National Commercial Principles provide a consistent and efficient risk allocation framework, while recognising the need for flexibility for individual project needs. Additional materials on the *Partnerships Victoria* website outline the Victorian specific requirements that derive from the National Commercial Principles. This guidance will be updated from time to time to incorporate project lessons.

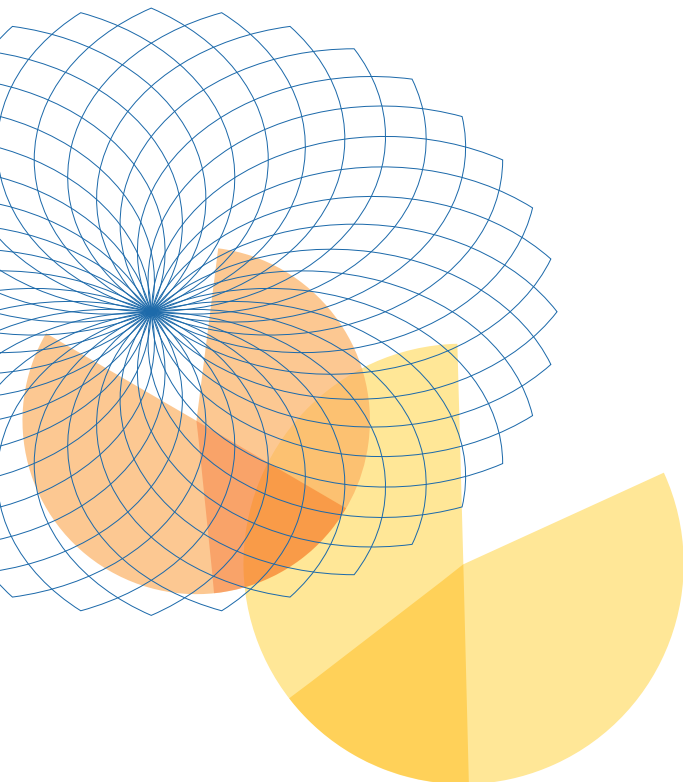
Any derogation from the National Commercial Principles and the Victorian Requirements for sector, or project-specific issues must be documented and agreed with DTF when:

- » government approval is sought to issue the Request for Proposal (which contains the contract documentation) if the derogation is proposed by the Procuring Agency; or
- » government approval is sought for the appointment of a preferred bidder or execution of contract, if the derogation is proposed by a bidder.

12. Public Interest Test

Victorian PPP projects must complete a Public Interest Test and submit it with documentation seeking project approval. Confirmation, or updates to the Public Interest Assessment are required at key stages throughout the project. The Public Interest Test covers consumer rights, transparency and other criteria designed to protect the interests of the community.

Public Interest Test elements, submission requirements and templates are outlined on the *Partnerships Victoria* website.



13. Probity requirements

All commercial transactions by the Victorian Government must be conducted in accordance with the *Victorian Government Purchasing Board Guidelines – Managing Probity (2013)* and *Guide to Managing a Probity Practitioner (2013)*. Refer to www.vgpb.vic.gov.au. These guidelines outline the key principles governing probity and the role of Probity Practitioners.

The Victorian Public Service Code of Conduct (available on www.ssa.vic.gov.au) applies to all Victorian Government employees involved in PPP projects.

The engagement of private sector advisers as part of the Procurement team will need to include confidentiality and conflict of interest requirements.

In accordance with the national guidelines, Project Directors are responsible for implementing Conflict of Interest (COI) guidelines and the principles based approach to the assessment of any COI event that arises. The Project Director may be supported by a senior responsible office in the Procuring Agency and a DTF project officer. All COI assessments in engaging private sector advisers are considered as part of the evaluation process and notifications made in accordance with that process. All COI assessments for private sector advisers outside the initial tender engagement process must be conducted in a timely manner and the adviser promptly notified of the outcome.

In relation to bidding companies, Related Party Probity principles are outlined in the *National PPP Guidelines: Volume 2 Practitioner's Guide*.

14. Accounting Treatment and Taxation matters

Accounting and taxation matters are a complex part of PPP transactions and require the advice of specialist advisers and liaison with DTF. The *National PPP Guidelines Volume 2: Practitioner's Guide* contains current advice on accounting and taxation matters that are also relevant in Victoria (refer Chapter 9, pg 40 and Appendices F & G).

DTF must be consulted on accounting issues and kept informed as to the likely balance sheet impact of PPP projects and the Budget implications of the accounting treatment.

Early consultation with the Auditor-General's Office on PPP accounting is also desirable to ensure that the correct accounting framework and any relevant accounting standards are appropriately considered and applied.



Victorian Comprehensive Cancer Centre

15. Disclosure policy and project summary requirements

All Victorian PPP projects will be subject to review and disclosure requirements.

In accordance with Victorian Government Purchasing Board Policy the executed PPP contract must be published on the Tenders website (www.tenders.vic.gov.au) within three months of financial close. Visit the Tenders website or www.partnerships.vic.gov.au to view the existing Victorian PPP contracts. The contract is to be published in full with limited exceptions from disclosure, guided by the criteria of the *Victorian Freedom of Information Act 1982*. Further information is available on the Victorian Government Purchasing Board website www.vgpb.vic.gov.au.

A project summary of each PPP project will be released within three months of the financial close of the project. The project summary will have two main sections:

- » part one will summarise key project features. This is intended to provide a snapshot of the rationale for the project, its value and the parties involved; and
- » part two will summarise the key commercial features of the project based on the contract.

The Treasurer and the Portfolio Minister with responsibility for the project must approve any project summary before it is released. The Portfolio Minister is also responsible for tabling the project summary in Parliament at the time of its release (or the nearest subsequent Parliamentary sitting day).

In determining the appropriate content of the project summaries, each *Partnerships Victoria* project has its own specific and unique circumstances to take into account. The content of the summaries will also evolve as new areas of public interest emerge. Agencies must update the project summaries if any significant changes are made to the nature of the project post-release.

A template to guide development of the project summary and existing project summaries are available on www.partnerships.vic.gov.au.

16. Unsolicited proposals

Unsolicited private sector infrastructure proposals will be considered under a separate policy framework. Unsolicited proposals directly related to PPP contracts must comply with this Requirements document as well as the unsolicited proposal framework.

17. Contract Management Framework

Contract management is a key activity for agencies involved in managing a *Partnerships Victoria* project after the contract is executed. Implementation of effective contract management practices will assist government to achieve the broader objectives of *Partnerships Victoria* and efficient delivery of services.

There is a range of contract management guidance materials available including the original *Partnerships Victoria* Contract Management Guide (2003) and other practice notes that have been developed in consultation with contract managers.

There is a requirement for a Contract Management Plan to be approved by the Portfolio Minister in consultation with the Treasurer within three months of financial close. Following this Plan, a more detailed Contract Administration Manual is required to be developed (or cross referenced with existing internal processes). The Contract Administration Manual (but not the Plan) will evolve over time as the project moves through different phases. Contract Management Plans and Contract Administration Manuals should cover both the design and construct and the operating phases of projects.

Contract management must form an integral part of the *Partnerships Victoria* project delivery process. Contract management issues should be considered early in the development of the project's contract documentation. Contract management personnel should be involved in the procurement phase where appropriate and there should be an effective transition/handover from Project Director to Contract Director. The initial Contract Director (who may have been the Project Director during the procurement process) should be identified and appointed prior to contract execution. The processes contained in the Contract Administration Manual must be implemented on a proactive basis while being capable of modification throughout the life of the project.

The Procuring Agency should establish and maintain appropriate governance structures and lines of communication between the public and private sector entities to facilitate a sustainable long-term partnership.

Agency Accountability. The Procuring Agency will be responsible for establishing a robust contract management framework, maintaining effective contract management practices throughout the contract term, and successfully delivering project objectives. This is to include:

- » appropriate governance structures and effective communication and reporting lines;
- » ensuring that all PPP project Contract Directors and relevant members of their teams undertake appropriate training within six months of their appointment, unless they have existing contract management experience or credentials;
- » systems to ensure the continuity and retention of project knowledge over the life of the project;
- » risk and dispute mitigation and their reporting; and
- » regular ongoing review of its contract management practices to identify outstanding and emerging issues and take into account recent and anticipated future developments.

Due to the growing number of PPP projects in operations it is important to maintain a consistent approach to a number of contract management issues across different projects. Procuring Agencies must consult DTF on matters including:

- » change in control;
- » refinancing;
- » material modifications to the contract; and
- » any dispute resolution.

Treasury Accountability. DTF will have responsibility for:

- » supporting and reviewing the contract management of *Partnerships Victoria* projects, including assisting in risk mitigation and dispute resolution;
- » facilitating the sharing of contract management knowledge, including through conducting forums for contract managers to share lessons learned and network with their peers;
- » establishing and implementing an appropriately credentialed and professional standard training program for public sector contract directors/managers; and
- » monitoring and independently advising the Treasurer and Cabinet on significant contract management issues.



Victorian Comprehensive Cancer Centre (artist's impression)

18. Additional guidance material

Guideline material providing further detail on Victorian specific requirements can be found at www.partnerships.vic.gov.au. These documents cover areas such as commercial principles and contract management and include some template requirements for the public interest test and project summary document.

Additional guidance supporting new reforms will be developed and made available online.

19. Useful links

Victorian Government

Partnerships Victoria

www.partnerships.vic.gov.au

High Value High Risk projects

<http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/high-value-high-risk-and-investment-guidance-material>

Investment Lifecycle Guidelines

<http://www.lifecycleguidance.dtf.vic.gov.au/index.php>

Gateway Review

www.gatewayreview.dtf.vic.gov.au/

Construction Code Compliance Unit

www.dtf.vic.gov.au/viccode

Victorian Government Tenders Website

www.tenders.vic.gov.au

Victorian Government Purchasing Board website

www.vgpb.vic.gov.au

Office of the Victorian Government Architect

www.dpc.vic.gov.au

The National PPP Policy and Guidelines and other useful links and publications are available at Infrastructure Australia:

http://www.infrastructureaustralia.gov.au/public_private/

