Government of **Western Australia**
Department of **Treasury**

Strategic Asset Management Framework

Project Definition Plan Guidelines

December 2024

Strategic Asset Management Framework – Project Definition Plan Guidelines

Acknowledgement of Country

This document was prepared by the Department of Treasury (WA Treasury) on the traditional Country of the Whadjuk people of the Noongar Nation.

WA Treasury respectfully acknowledges the Traditional Custodians of Country throughout Western Australia and their continuing connection to Country, Culture and Community.

We pay our respects to all members of Western Australia's Aboriginal communities and their cultures and to Elders past and present.

We acknowledge and pay tribute to the strength and stewardship of Aboriginal people in sustaining the world's oldest living culture and value the contribution Aboriginal people make to Western Australia's communities and economy.

We recognise our responsibility as an organisation to work with Aboriginal people, families, communities, and organisations to make a difference and to deliver improved economic, social and cultural outcomes for Aboriginal people.

Further information relating to these guidelines may be obtained by emailing samf@treasury.wa.gov.au.

The Department of Treasury wishes to acknowledge those who contributed to this guide. In particular, the entities of the Western Australian Government that participated in the consultation for this work. This guide draws on best practice approaches as applied by: Commonwealth of Australia, Infrastructure Australia, and the Department of Infrastructure, Transport, Regional Development, Culture and the Arts; New South Wales Government, Department of Treasury; State of Queensland, the Department of State Development, Infrastructure, Local Government and Planning; Northern Territory Government, Department of Industry, Tourism and Trade; United Kingdom Government, Infrastructure and Projects Authority; and, the New Zealand Government, Department of Treasury.

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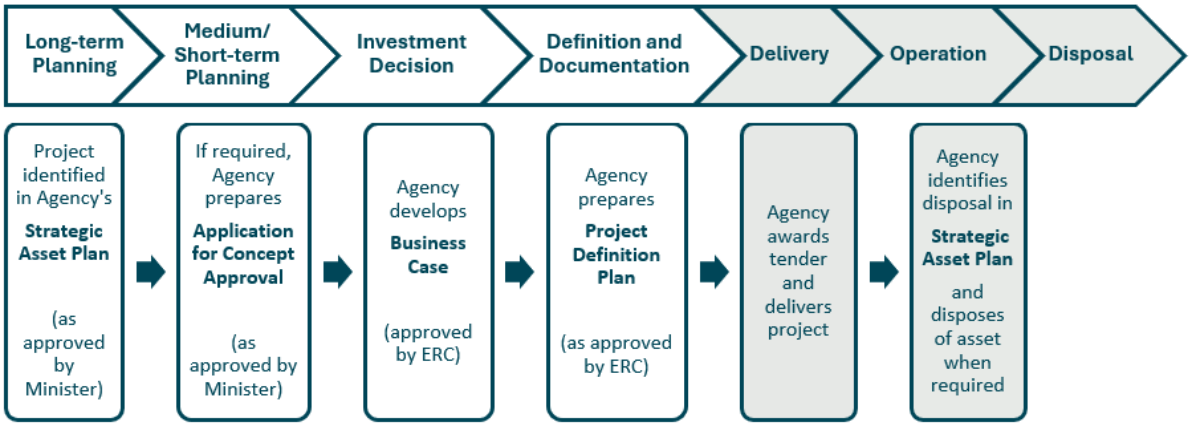
SAMF Overview

Asset investment proposals are developed and considered under a sequenced approach which involves government approval at various stages. The Strategic Asset Management Framework (SAMF) has distinct modules that are intended to provide advice to government during the planning, investment, operation and disposal of assets, these are:

- Strategic Asset Plan;
- Application for Concept Approval;
- Business Case; and
- Project Definition Plan.

Figure 1 provides a high-level overview of how the SAMF suite of documents inform Government asset planning and investment decision-making.

Figure 1: SAMF Documents in Investment Decision-Making



The purpose of this SAMF Project Definition Plan (PDP) Guideline is to inform the development of documentation which will underpin the decision to commence the delivery phase of a project. It provides a ‘reality check’ before preparing for tender and is focused on project delivery issues and risks.

The requirements are scalable to account for a proposal’s complexity, risk profile and cost.

These guidelines should be read in conjunction with other SAMF policies and guidelines. Agencies are encouraged to engage the Department of Treasury (Treasury) early in the development of the PDP.

Introduction

As part of the SAMF, Western Australian public sector bodies must develop a PDP before seeking approval to proceed to the tender documentation and market engagement stage. A PDP provides a 'reality check' and is focused on project delivery issues and risks.

The SAMF PDP Guidelines specify the structure and broad content requirements of PDPs to be submitted to the Expenditure Review Committee (ERC) (or delegated authority) for approval. **The content may be adapted to reflect a proposal's complexity, risk profile and cost, and the nature of the asset under consideration**.

What is a Project Definition Plan?

The purpose of the PDP is to provide the basis for a financial investment decision to commence the delivery phase of an asset investment proposal approved by ERC at the business case stage. The PDP provides the level of definition required for the preparation of detailed documentation to take the project to market for tender.

How to Apply These Guidelines

Who Should Use These Guidelines?

These guidelines are to be applied by all public sector bodies including general government agencies, public financial corporations, and public non-financial corporations in accordance with all relevant legislation, Treasurer's Instructions (TIs), accounting standards, and other related government policies.

PDP Threshold Value and Applicable Asset Classes

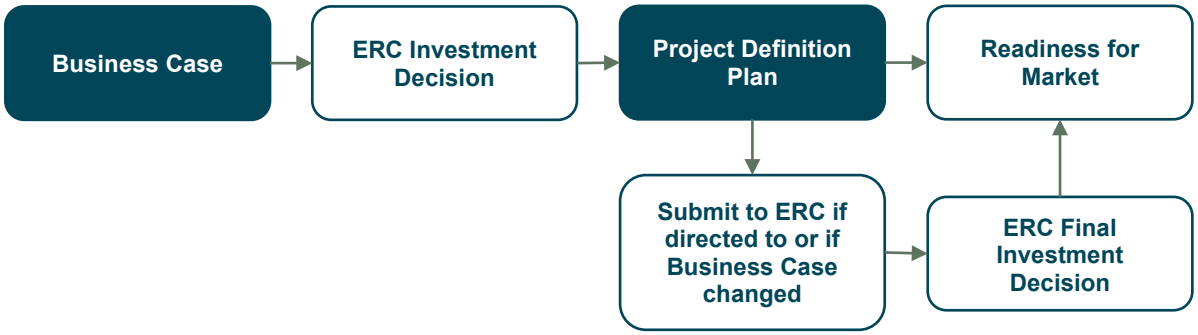
A PDP is required to be developed for all asset investment proposals with an estimated total capital cost of $5million or more, before proceeding to the procurement stage.

These guidelines apply to proposals for all asset classes, including non-residential buildings, plant and equipment, rail, roads, and ports, and leased and/or acquired Information and Information and Communication Technology (ICT). Market Led Proposals, also known as unsolicited bids, are subject to additional requirements specified by the Department of Planning, Lands and Heritage.

Project Definition Plan

The PDP is developed after the ERC has made an investment decision on the business case, i.e. after the business case has been approved.

Figure 2: Process to Progress from Business Case to the Project Definition Plan stage



The PDP is focused on project delivery issues and risks. It reviews and refines the scope, cost, schedule, and risk information for the approved option. It addresses all unresolved project delivery risks and concerns raised at the time the business case was considered by the ERC. In addition, new emerging risks and changes are addressed.

Appendix A provides a comparison of the purpose, rigour and detail expected for business cases, PDP and contract.

Sequence

A business case and a PDP are developed as separate documents in a direct sequence. Investment proponents should not develop a PDP without an ERC-approved business case, nor a hybrid plan with limited elements of both unless prior ERC approval has been obtained.

A distinct business case and PDP will increase the likelihood that sufficient time and resources will be devoted to achieving sound cost benefit analysis, considered value for money trade-offs, and robust capital and operational cost estimates. Early work on these aspects, from the business case stage onward, offers the best chance to minimise project delivery problems.

An orderly sequence also helps project agencies avoid spending time and resources on high-cost PDP work prematurely prior to an investment proposal or business case being approved by the ERC. For example, if PDP work starts too early, before the scale or location of an asset is finalised, significant rework, schedule delays and additional costs will be incurred.

Project Definition Plan Structure

The PDP comprises an executive summary, and five interrelated areas of evaluation, plus a summary of recommendations.

The purpose of the PDP is to move from the high-level assumptions and parameters outlined in the ERC-approved business case to a more detailed validation document.

The PDP serves as a validation tool that refines the scope, cost, schedule and risk profile for the endorsed investment option within the parameters set by the ERC-approved business case. It addresses all unresolved project delivery risks and concerns raised at the time the business case was considered and ensures new and emerging risks are addressed at the earliest opportunity.

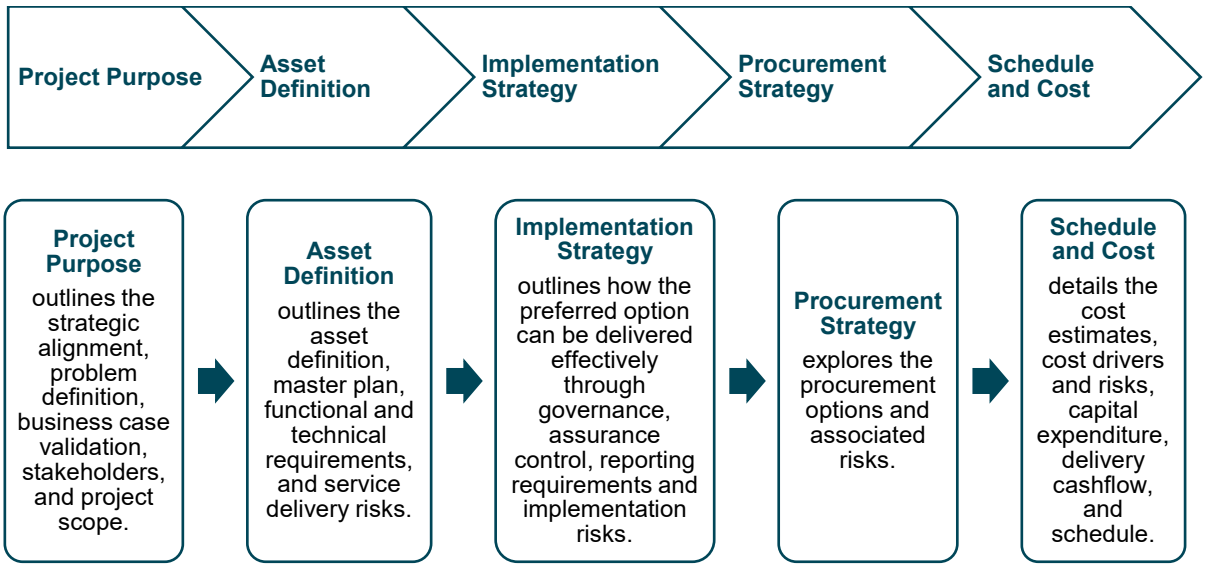
By conducting in-depth design, site investigations and risk assessments, the PDP verifies the feasibility of the business case assumptions and makes necessary adjustments to reflect the reality of site conditions, design requirements and costs.

When these adjustments reveal potential cost, scope or schedule changes, the PDP provides the framework that allows stakeholder review enabling careful evaluation and validation of project's feasibility within the updated parameters. The PDP development process reduces uncertainties and ensure that the project is prepared to head into the procurement and construction phases.

Importantly, a PDP does not merely repeat or replicate the content of the business case.

The level of detail required is expected to be proportional to the proposal's risk and cost profile. The higher the proposal's value and/or risk, the more detailed the effort and analysis required. Figure 3 provides a high-level outline of the PDP structure.

Figure 3: Project Definition Plan structure



This PDP guideline should be used as a roadmap for development and has been designed to be scaled for projects of varying value, complexity, and risk. Agencies should adapt the PDP detail to the specifics of each proposal, however there are minimum requirements that every PDP must meet. Those minimum requirements have been provided at the end of each chapter.

Quality Assurance

PDPs can be improved through independent quality assurance reviews and are particularly important for high-value, high-risk proposals. When developing the PDP, agencies are encouraged to actively engage with other government organisations, which may be done through the formation of multi-agency governance arrangements, or other more informal processes.

Early engagement with Treasury is recommended to ensure that the level and detail of analysis is scaled to reflect the size, complexity, risk profile and cost of the proposal.

The Gateway Review methodology is an independent project assurance mechanism designed to support the effective development, planning, management and delivery of major projects and programs.

The Department of Finance manages the Gateway Reviews process, with agencies required to contact the department's Gateway Unit at the earliest opportunity to discuss the requirements specific to an agency's proposal scope, quality, budget, and schedule.

For major projects of $100 million or more, and for ICT project of $10 million or more, there are specific requirements for proposal quality assurance outlined in the General Procurement Direction 2024/03 – Improving the Outcomes of Major Projects Through Gateway Reviews. Projects subject to this General Procurement Direction, must undergo at least two Gateway reviews, one of which **must** be conducted at the **Business Case** stage**.**

For all ICT projects, consultation with the Office of Digital Government, within the Department of the Premier and Cabinet, is mandatory for investment proposals (for leased and/or acquired assets).

Major Infrastructure Proposal Assessments

Infrastructure WA is tasked with providing expert advice to Government on the State's infrastructure needs and priorities, including assessment of major infrastructure proposals before an investment decision is made. This function has been established in accordance with the *Infrastructure Western Australia Act 2019*.

Infrastructure proposals with a capital cost of more than $100 million will be assessed through Infrastructure WA's Major Infrastructure Proposals Assessment (MIPA) function. An assessment report containing IWA's analysis of each major infrastructure proposal is provided to the Premier and attached to the subsequent ERC submission seeking an investment decision.

Variation Control

A key objective of the PDP is to determine whether the preceding ERC-approved business case remains valid, particularly in terms of the project scope, cost, schedule, risks, and funding source.

The PDP provides an important opportunity to confirm whether the project's scope, cost and schedule and risks remain consistent with the assumptions and commitments outlined in the business case , or whether it is necessary to seek ERC support for material variations to the advice provided supporting the original investment decision in favour of the proposal.

In itself, variation control does not alter the priority attached to a project by the ERC (or Cabinet). If project delivery proceeds smoothly, an agency does not have to return at subsequent State Budget processes to have the project reapproved unless the ERC has determined otherwise (particularly relevant for staged asset developments).

Treasury should be alerted at the earliest opportunity if a project appears unlikely to be delivered successfully within its approved scope, budget, or time parameters.

Project Definition Plans and the Budget Process

The Expenditure Review Committee Handbook and Cabinet Handbook provide guidance on submitting asset investment proposals for Government consideration.

If a material variation to the ERC approved business case or initial investment decision, is required, the agency Director General (or equivalent) is accountable for securing the relevant Ministerial support to submit the revised investment proposal to the ERC. ERC approval of the variation is required before progressing the PDP for approval to commence project delivery.

Accountability and Transparency

Ownership of the PDP

A completed PDP is to be endorsed by the agency's Chief Financial Officer and Director General (or equivalent), with a copy provided to Treasury.

Where ERC has requested that a PDP is to be prepared and submitted to ERC for a Final Investment Decision, then the relevant portfolio Minister is accountable for submitting the PDP to ERC.

In addition, for public financial corporations and public non-financial corporations, the Board's approval is required for each PDP submitted for consideration by Government.

Transparency

To promote openness and transparency to the public, consistent with the objectives of the *Freedom of Information Act 1992* (FOI Act) and with decision-makers' legal obligations, requests to publicly disclose PDPs are considered on a case-by-case basis.

As PDPs are usually developed to inform the deliberations of government, they are generally exempt from disclosure in accordance with the FOI Act. However, it may be appropriate to release some content of a PDP via a delayed disclosure, after the relevant deliberative process has been finalised and any announcements have been made (e.g. following awarding of contract). This disclosure may be best achieved by the release of a PDP summary.

Project Definition Plan Requirements

Executive Summary

The executive summary should provide a clear summation of how the project has progressed since the ERC-approved business case stage or preceding investment decision. Detail should either confirm the scope, time, and cost parameters or outline which of these parameters have changed or require further ERC approval.

The executive summary should provide an outline of all material aspects of the PDP, conclusions and recommendations, as well as:

- material variations by way of a comparison table between the ERC-approved business case and the PDP, with detail of the reasons for differences;
- any major and residual risks, along with the recommended course of action to mitigate or manage them; and
- recommendations for decision-makers.

Project Purpose

- Problem Validation
- Preferred Option Validation
- Project Outline
- Stakeholder Engagement

The Project Purpose section focuses on the strategic context of a proposal. It should provide decision-makers with an understanding of the ERC-approved business case and the strategic context to which the case for change was developed.

The ERC-approved business case should be included as an attachment to the PDP, with reference to the relevant sections in the PDP included where more detail may be necessary.

Problem Validation

This section revisits the problem definition outlined in the ERC-approved business case. It defines the problem(s) and opportunities that the investment is intending to address by identifying the cause of each problem and the relevance and scope of impacts.

At the PDP stage, the problem definition, including the reason(s) for Government intervention are reviewed to ensure the currency of the initiative. Any changes within the strategic environment since the initial development of the project objectives should be identified as part of the problem definition and as a material variation.

The problem definition will need to be supported by clear and factual evidence that substantiates and validates the cause and effect of the problem and outline any critical assumptions made.

What is Required?
Provide a summary of the unmet need or demand for services that this project is required to address, and the reason(s) for Government intervention. Ensure the problem(s) or opportunities are substantiated by evidence (e.g. refence to the ERC approved business case and any additional supporting documentation). The problem definition should be consistent with the statement of need included in the business case – if not, detail why and the impacts of these. This information should also be included in the Material Variations sub-section.

Preferred Option Validation

It is paramount that a PDP does not unilaterally change the parameters and constraints in the business case as these were agreed by the ERC and are the basis for the approved option. For this reason, agencies will need to validate whether the business case parameters are still applicable to the project in the PDP stage and if not, what action will be undertaken.

What is Required?
Outline the exact wording from the ERC decision (ERC approved option) and the date this was made. Outline any conditions ERC placed on its decision on the business case and note where in the PDP these conditions are addressed. State whether the project is still valid within the confines of the business case and what action will be undertaken if there have been any changes.

Project Outline

The Project Outline should describe a project in its entirety – but at a high level and with particular emphasis on the what and why. It should include the details needed to understand the initiative and its objectives.

What is Required?

Describe the specific objectives of the project with reference to how they will support the overall business objective.

Define the work of the project, including the scope, time, and cost, plus resource requirements and impact on the organisation. The scope may also include the high-level tasks to be accomplished within the project. Describe any considerations of scope or objectives to be excluded from the project or the deliverables.

List all high-level outputs to be delivered by the project.

Identify items or circumstances that will critically affect the successful outcome of the project if they do not occur.

Describe the assumptions on which the project is based and any imposed constraint on the project.

List any past, current, or future interdependencies between the project and other WA Government asset investment projects, recurrent programs, or funding and/or policy commitments.

Describe the impact(s) (positive or negative) or risks associated with each interdependency.

Stakeholder Engagement

The definition of the asset to be delivered by the project, and advice on its scope, time, and cost, should be based on continuous and robust consultation. During the PDP stage it is important to continue engagement with stakeholders who have experience in operating similar assets on the strengths and weaknesses of the proposed approach.

Strong stakeholder input and communication increases the likelihood that major potential delivery complications can be highlighted and addressed before the PDP is finalised.

What is Required?

Revisit the stakeholders identified at the business case stage and confirm the consultation requirements for project definition, asset design, tendering, and construction stages.

If there has been a change to the stakeholder consultation plan provided within the ERC-approved business case, refer to what has changed in this section and provide the updated plan as an appendix to the PDP.

Asset Definition

The Asset Definition section provides clarity on the best way to achieve the project purpose, deliver sound investment for Government and benefits to the people of Western Australia.

Master Plan

To assist decision-makers and reviewers, a PDP includes a concise statement of the main strengths, challenges and requirements revealed by the master planning to date. For SAMF purposes, the master plan provides a strategic overview of the asset in context.

The master plan demonstrates effective links between the asset and its surroundings. For example, facilities such as ports, stadiums, hospitals, and utilities plants should be oriented to best face major connections (both existing and planned) for the flow of traffic, logistics and communication networks. Examples of sound master plans are those which relate:

- a port to the necessary road and rail connections;
- a major road construction to existing arterial routes, local communities, tourist attractions, private property and favourable terrain;
- bus or ferry terminal to rail connections and central business district areas;
- a hospital to public transport and other health facilities in the area;
- fire stations to other emergency units to enable effective multi-service responses; and
- a software system to other legacy and future ICT systems with which connections will be needed in an agency and with other agencies.

For non-ICT assets, the master plan is informed by long-term state and local government development plans. It demonstrates how the asset will best meet the operational requirements of the agency whilst achieving government policy objectives, for example, infrastructure located closely to future centres of public activity.

The master plan clarifies the potential impact of the asset on its surroundings and how the impact will be addressed – for example, through measures to overcome disruptive effects on communities and the environment, such as from increased traffic and additional utilities consumption.

The indirect impacts on related infrastructure are also identified, for example, the increased need for buses or timetable rescheduling for the number of staff who will work in a consolidated office complex.

What is Required?
Provide a concise statement of the main strengths, challenges and requirements revealed by the master planning to date. Identify key decisions informed by the master plan. Include the master plan as an appendix to the PDP.

Functional Requirements

Part of the asset definition is articulated through detailed functional requirements which comprise of a functional statement, criteria and layout. All three elements look at the material asset through the lens of decision-makers outlining the complete performance of an asset and how its functions are enabled through preliminary design.

Functional Statement

In the SAMF context, the function of an asset is to support service delivery. Examples include:

- production of an output, such as water or electricity supplies for households, businesses, and/or industry;
- performance of public service tasks by staff in an office shopfront, or the delivery of information through a government website; or the
- movement and attention to patients in a hospital, to students in an education facility, or to visitors in a museum.

A PDP includes a concise statement of the functions and consequent action that the asset should both enable and preclude. For example, the functions of a public website may be to enable real-time welfare transactions while precluding unauthorised access by third parties to private information.

A further example, describing the functions of an emergency wing in a hospital to include enabling the receipt of patients from multiple sources (via helicopter, ambulance, on foot, and by car); triage; and the delivery of care and follow-up action, whether through patient - observation on-site or through community-based services.

The functional statement is based on strong interaction with stakeholders and industry experts to ensure that it reflects the investment intent and is feasible.

Functional Criteria

Functional criteria are concise measures by which the effectiveness of a project development proposal will be evaluated at tender. There are different degrees of criteria, from initial through to fine-detailed engineering and architectural. For SAMF purposes, the criteria focus on the material design aspects.

The criteria form the basis of the proposal's achievement of value for money. They articulate preferred design quality standards, for example an emergency ward must facilitate the rapid receipt of casualties from multiple sources concurrently and the movement of patients to care within a set timeframe; and public car parking should be within a specified, short walking distance.

The criteria indicate the main risks to people that are required to be mitigated and offer potential solutions. Examples include closed areas in hospitals that help prevent disoriented patients from 'wandering;' separate access and lift wells in courts for judges and defendants; and buffers and security in a utilities plant or at a railway station.

The criteria also clearly articulate any strong preferences in relation to the major cost, schedule and risk drivers. For example, it may be important to prefer commercial off the shelf rather than customised software, and cloud computing rather than in house data storage.

The functional criteria are provided in a concise summary and ranked according to whether they are essential or desirable. For example, depending on the nature of the environment, the criteria may indicate that cyclone or flood protection are essential features.

The ranking of criteria sets the basis for trade-offs, if needed, across solution elements that could be foregone to stay within the original cost, schedule and risk parameters.

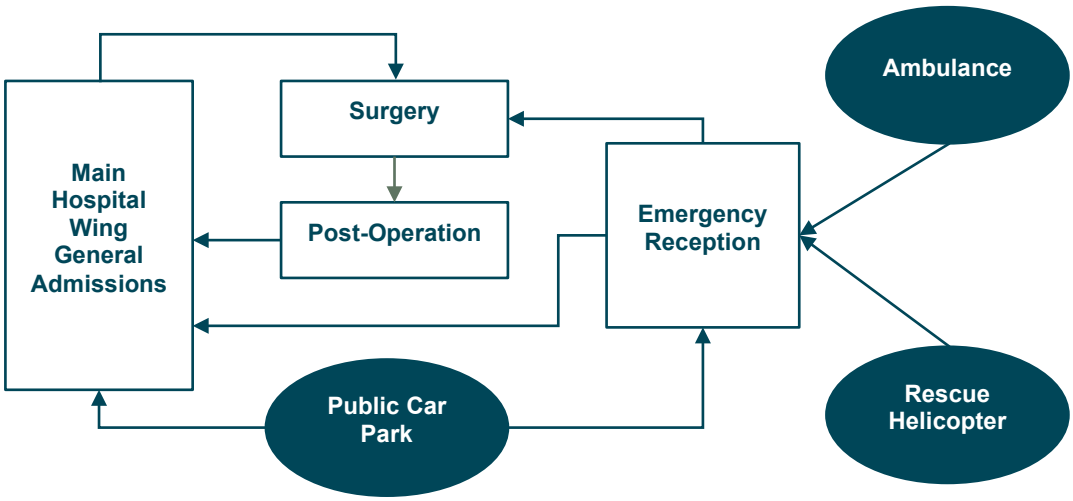
Overall, a clear and ranked set of functional criteria also assists industry to provide value for money design propositions at the tender stage, such as for the co-location of service delivery or production areas.

Functional Layout

The layout is focused on the preceding functional statement and criteria. It conveys the physical nature of the asset, with particular attention to its essential characteristics, including its scale, dimensions and internal connections.

A diagram is used to help convey the functional layout, as shown in the example below for a refurbished hospital emergency wing. It clarifies in simple terms how the connections to patient transport points and the main hospital would facilitate the rapid receipt and delivery of care.

Figure 4: EXAMPLE – Hospital Functional Layout Diagram



What is Required?

Summarise the functions and consequent action that the asset should both enable and preclude.

Provide a summary of the functional criteria including rankings of essential and desirable.

If applicable, provide a diagram to convey the physical nature of the asset (i.e. functional layout).

Technical Description

A PDP demonstrates that an agency has a sound understanding of what a successful technical approach would be to overcome the main challenges involved in operating the asset and delivering services or products effectively.

For example, if the functional criteria for the refurbishment of an agency's headquarters call for strong sustainability and low energy use, the agency explains the technical implications, the cost premium and the value for money that would be achieved compared to less demanding standards.

For other asset types, an agency might consider:

- the best fit for purpose material for the foundation and structural material for a wharf to resist heavy seas; or
- how often the air in a hospital operating theatre must be refreshed, and the potential air conditioning plant and other systems that will be needed to do so.

Command of the basic technical aspects reinforces confidence that the functional statement, criteria and layout can be achieved. This is important to assure decision-makers that the technical aspects have not been left entirely to the more detailed work to follow after contract signature, which presents a high risk of cost increases and delay from significant, unforeseen technical problems.

What is Required?
Demonstrate sound understanding of a successful technical approach to overcome the main challenges involved in operating the asset and delivering services or products effectively.

Sustainability

Designing and constructing assets that meet the needs of the present without compromising the ability of future generations to meet their needs, should be a key consideration in asset investment planning.

Sustainability principles should be embedded in agency asset planning and investment decision-making which address social, economic, environmental and governance outcomes.

The infrastructure asset base of the Western Australia Government will continue to grow to meet community, business and industry demand. With this growth, consideration of how the asset will perform sustainably throughout its lifecycle during the project definition stage, enables the government to ensure that all future needs have been reasonably assessed.

In general asset sustainability considerations at the PDP stage are to include:

- Definition of the social benefits to the community;
- Environmentally sustainable design;
- Minimisation of waste products during construction and service operations;
- Resilience of the asset to changing climate conditions and natural disasters (e.g. resilience to frequency and intensity of extreme weather events); and
- The asset maintenance lifecycle from acquisition and operation, through to redevelopment, repurpose, adaption and reuse, or disposal.

For those agencies subject to the *Public Works Act 1902*, the Department of Finance can for a fee, undertake asset planning services in line with SAMF, currently applying its TG040 Environmentally Sustainable Design Guideline for Non-Residential Government Buildings.

Agencies should refer to the following publications for additional advice:

- The Department of Water and Environmental Regulation's WA Climate Policy for information on supporting the transition to a net zero carbon world and Climate Resilient WA which lays out the directions for Western Australia's future statewide Climate Adaptation Strategy;
- State planning policies which promote the importance of design quality in delivering positive environmental, social and economic outcomes for all Western Australians; and
- For sustainability measurement and certification there are a range of options nationally and globally. The following have been used by WA Government agencies:
  - Green Building Council of Australia – green star rating;
  - National Australian Built Environment Rating System (NABERS); and
  - Infrastructure Sustainability Council rating scheme.

  Agencies are encouraged to consider the rating system (or combination of systems) that is the best fit for the type of asset investment being proposed.

For submissions requiring whole- or part-Commonwealth funding, alignment to the Infrastructure Australia assessment framework detailed technical guidelines related to sustainability, emissions reduction, and decarbonisation, is required.

What is Required?
Describe how the project will align with the WA Government target to cut Greenhouse Gas emissions by 80% below 2020 levels by 2030. Outline what infrastructure sustainability rating systems will be applied to the project (if relevant) and how these will be governed, monitored, and reported. Summarise how the changing climate may impact the asset life and identify what climate resilience, durability, and adaptation measures are necessary. Identify how the asset lifecycle has been considered and what design principles have been put in place to maximise the asset's sustainable performance.

Value Management

For high and medium risk projects, the scope, cost, and schedule advice in a PDP should not be finalised for consideration by decision-makers without completing a value management study.

This should be conducted by experienced, skilled people (e.g. quantity surveyor) to ensure that the project is on track to achieve maximum value for money within the ERC approved business case parameters.

What is Required?
Provide a summary of the key details from the value management study and attach a copy as an appendix to the PDP.

Service Delivery Risk

Agencies will need to consider risk throughout the entire lifecycle of a project, specifying risks to service delivery and whole-of-lifecycle operation of the asset.

What is Required?
List any other potential deliverability risks that may pose a threat to the success of the project. Identify how risks will be managed and escalated (if required) as they arise.

Implementation Strategy

The purpose of the Implementation Strategy is to consider the controls that underpin the successful management of a project throughout its lifecycle, including reporting requirements, project governance and evaluation practices.

Project Governance

Good governance is a key ingredient to successful asset investment planning and delivery. Clarity around decision-making and accountability forms the basis of robust project planning and management, procurement and contract management, and transparency outcomes.

Key principles for effective project governance include:

- a single point of accountability;
- unambiguous roles and responsibilities. This includes separating project delivery responsibilities from those of asset owner and service delivery responsibilities;
- clear scope definition to ensure there is a shared understanding of project objectives and deliverables;
- project decision-making separated from stakeholder management;
- information based decision-making, with clear processes and procedures for action and decision-making;
- transparent reporting on project progress, achievements, forecasts and risks that is timely, accurate and relevant, and in accordance with pre-determined protocols for the escalation of risks and issues;
- strong change management process that ties to clear performance criteria; and
- independent project scrutiny and assurance mechanisms.

Project governance should be integrated throughout the project lifecycle, from concept, through the various key decision points and milestones all the way to project delivery and operation. Governance frameworks should be reviewed periodically and updated to reflect the evolving stages of the project to ensure they remain aligned with the specific needs required at each phase.

Outline the governance arrangements that are in place to progress the proposal through project definition, design, tendering, construction, and transition to operations, and how these arrangements will align with any existing governance frameworks.

Major Non-Residential Buildings Project Governance

For the planning and delivery of the Government's major non-residential building projects under the *Public Works Act 1902*, the following key principles apply:

- the Accountable Authority of the agency that holds and controls the project's capital works budget is the single point of accountability throughout the life of the project (from project planning, through delivery and transition into operations);
- the Accountable Authority seeks ERC approval (through the relevant portfolio Minister) for the asset investment decision and, where applicable, changes to the project's approved scope, cost, time and funding parameters; and
- the Director General, Finance is responsible for the procurement and delivery of the asset in line with the project scope, cost and time parameters approved by the ERC.

The governance arrangements apply to major non-residential building projects with an estimated capital cost above $100 million, or less costly non-residential building projects that are considered high-risk or highly complex (determined on a case-by-case basis by Finance and Treasury).

The arrangements do not impact the Transport agencies or Government Trading Enterprises.

A SAMF Practice Note provides additional guidance on these requirements.

What is Required?

State the current governance arrangements in place for the proposal.

Provide an overview of the governance structure to be put in place during procurement, construction, commissioning, and operational stages.

Detail the governance structure matrix of responsible, accountable, consulted, and informed (RACI) individuals or groups for each stage.

Illustrate the reporting lines and the roles that serve as the single point of accountability.

For high-value, high-risk proposals, document any key changes to governance arrangements that need to be undertaken to ensure the project is delivered as intended.

A Governance Framework may be attached as an appendix with key elements summarised in this section.

Project Assurance and Reporting Requirements

Robust lifecycle planning and operation are essential to making informed asset management decisions and realising the agency's planned project objectives. One key element that can often be overlooked are the operational controls, processes and actions required for effective project performance monitoring.

Project assurance controls and reporting requirements are tailored to the nuances of a project; however, they will typically support the management of costs (budget), time (schedule), quality, scope, benefits and risk.

What is Required?

Describe the project management framework and the protocols to be implemented by the procurement and construction project management teams.

Provide details on the project and risk management performance reporting that will be implemented, including level and frequency.

Outline the various levels of project performance reporting required and describe that reporting.

A Project Management Plan may be attached as an appendix with key elements summarised in this section.

Implementation Risk

Agencies will need to consider risk during the implementation phase, through to practical completion and transition to operations.

What is Required?

Identify what risks and lessons have been learnt over the project planning to date and how they will better inform project implementation in the future.

List any hazards, risks or uncertainties that may pose a threat to project delivery through to practical completion and detail the mitigations necessary to avoid these becoming issues.

Procurement Strategy

Advice in this section focuses on validating a procurement approach for the ERC-approved business case preferred option that adheres to project governance standards and maximises benefits.

Construction Procurement Methodologies

All PDPs, regardless of the project value or risk, must include information on how the preferred option will be implemented or delivered. Agencies are to determine through project definition, planning, and interaction with the market, a clear procurement strategy that is most likely to achieve value for money for the State.

Initial procurement plans are provided in support of the PDP to address the main issues and risks. For example, the procurement plan maps out the indicative timeframes for key project stages, including the sequence for the future release of an expression of interest (EOI) and request for proposal (RFP), and for the contractor engagement phases. Key aspects include the timing of negotiations and the development of the conceptual and final asset designs. Broad advice is also provided on the criteria that will be released as part of the EOI and RFP and their purpose, such as to clarify the respondents' financial capacity and experience in applying design excellence standards.

Agencies will confirm the procurement method which will generate the best value for money outcome in terms of the proposed benefits and provide evidence to support their decision. In some cases, executive government may decide to pursue an alternative and higher risk procurement strategy to achieve an earlier operational start date or may opt for a more manageable schedule and degree of financial exposure.

Information on relevant State Government procurement policies is available from the Department of Finance.

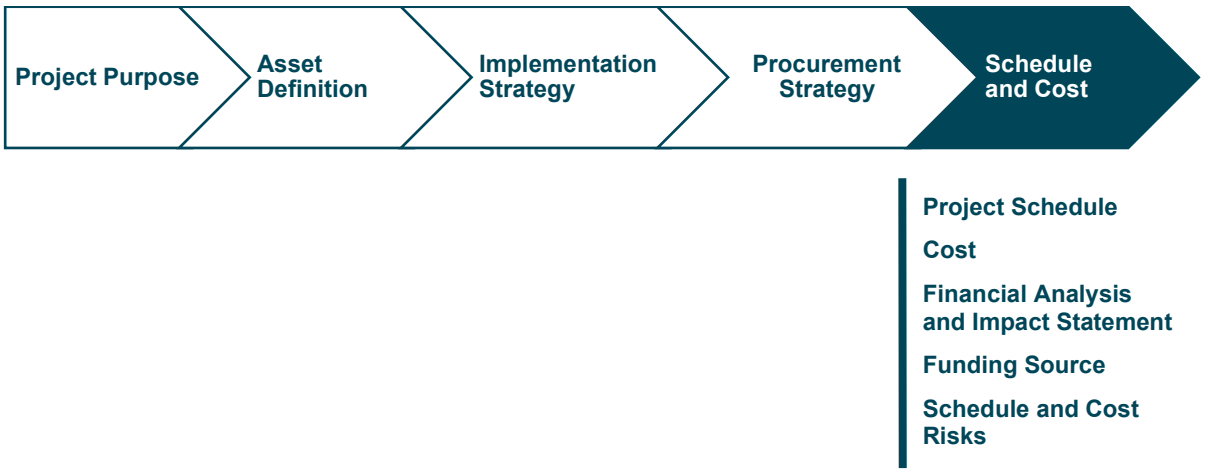
What is Required?
Provide evidence to support the recommended procurement strategy, including details on how the procurement options analysis was undertaken. Include an updated Procurement Plan as an appendix.

Procurement Risk

Agencies are required to specify the risks associated with the procurement of goods and services for a project, this includes challenges such as contractual issues and availability of non-contestable items.

What is Required?
Identify all contract issues and plans for how they will be mitigated and/or managed. List any potential procurement risks that may pose a threat to project delivery.

Schedule and Cost



The purpose of this section is to validate whether the proposed project is financially practicable by assessing capital and whole of life operating costs (recurrent) from the perspective of the agency and a whole-of-government viewpoint, where there is likely impact on budget aggregates and credit rating metrics.

The ERC-approved business case cost plan is reviewed and updated to reflect the greater refinement and definition of the asset proposal as part of the PDP.

Project Schedule

The project schedule provides accurate understanding of future work, the interdependency of tasks and the resource requirement to complete the work leading to a cohesive completion date. All critical dates are supported by clear assumptions, concise statements and sufficient advice to demonstrate why they are feasible. Any desired dates in the preceding business case are replaced by firm, realistic and achievable ones as demonstrated within the basis of schedule.

The schedule should be accurate because most assets have an optimum duration for design and construction or refurbishment. When the timing is compressed, or when stages are staggered and rushed, a project will incur cost premiums. The most effective timing will be subject to tender bids and contract finalisation.

The PDP refines the business case advice on schedule risk and explains the rationale for any items for which there remains a medium or high risk of slippage.

What is Required?

Insert a table showing the schedule milestones and completion date to illustrate the progressive stages through procurement, construction, commissioning, and ultimately practical completion.

Illustrate in the schedule any interdependencies between statutory approval timeframes (if required) and the procurement and construction stages.

The schedule summary may draw on a basis of schedule report with master schedule and is to be included in the PDP supporting appendices.

Cost

The PDP further defines the already-robust cost estimates in the business case for the selected or preferred option. If the PDP is approved, the accuracy of the estimates is further refined in the lead-up to tender and in the contract evaluation stages.

Considering the importance of cost, it is essential for agencies to re visit the factors which can impact the accuracy of an early estimate, including:

- The manner in which the estimate was prepared – for example, whether there was sufficient time during the planning and design phases to complete the estimating process;
- The quality of project information and the level of design detail;
- The expertise of the person(s) who prepared the estimate (e.g. quantity surveyor); and
- Other factors that were considered at the time of preparing the estimate.

Consistent with the cost estimation principles for a business case, SAMF does not support generic costing at the PDP stage. The cost estimate is to be based on a sound understanding of all sub-items, commensurate with the improved quality of the asset definition at the PDP stage. The estimate includes comprehensive verification and analysis of all significant cost drivers, backed by a work breakdown structure, robust design detail and documentation of any assumptions.

The cost estimate includes the effects of anticipated increases due to inflation for the period through to the tender date. The overall inflationary effect is stated as a lump sum, as well as per year, and includes advice on the assumptions beneath the percentage rate increases.

The cost estimate leaves very few unresolved items, for example, for design and construction work. Subject to any approved material changes, the contingency is refined rather than substantially different from the estimate in the ERC-approved business case. The estimates are clear about what has yet to be resolved and why the contingency allocation will be adequate and not excessive.

To better support decision-makers, a project agency is to provide a cost comparison table between those items and sub-items outlined in the ERC-approved business case and those at the PDP stage, recording the differences against each item and sub-item, and then provide references to the PDP sections that describe the reason for the differences (increases and decreases).

The Australian Government Department of Infrastructure, Transport, Regional Development, Communications and the Arts, provides a range of useful Cost Estimation Guidance that the WA Department of Finance has recommended. Contact with the Infrastructure Delivery Unit of the Department of Finance is also encouraged.

What is Required?

Provide an updated cost estimate that includes comprehensive verification and analysis of all significant cost drivers, backed by a work breakdown structure.

Attach a copy of the updated cost plan including benchmarking and recurrent cost provisions as an appendix.

Provide a comparative estimate of capital cost between the ERC-approved business case and the PDP noting any variations, and references to the reasoning.

Clearly document any changes since the ERC-approved business case to the underlying assumptions, inclusions and exclusions.

Financial Analysis and Impact Statement

At the PDP stage, the financial viability and impacts of the proposal that were defined in the ERC-approved business case will be reviewed and further refined to ensure the validity of assumptions and to safeguard the currency of investment decisions. Any significant deviations to assumptions previously underpinning financial evaluation, including those used in discounting cashflows and calculating Net Present Value, should be noted as a material variation.

Total Cost of Ownership

To confirm the financial viability of the proposal at the PDP stage, a detailed operating model is to be developed to consider the total cost of ownership of the asset throughout its lifecycle. Determining the full cost of an asset or a service requires consideration of all its components – the direct costs, indirect costs (which may include services received free of charge and taxation) and the opportunity cost of capital.

Financial Impact Statement

The purpose of the Financial Impact Statement (FIS) is to provide a high-level view of the impact of the preferred option on key financial measures including the agency's budget and State finances. Contrary to cashflows identified during detailed financial analysis and in the operating model, the cashflows in the FIS are nominal (undiscounted) and show marginal impacts to agency budgets and State financial aggregates such as the net operating balance and public sector net debt across the forward estimates only.

The net operating balance is an accrual measure that indicates the ongoing sustainability of operations and is used to determine what impact recurrent operational expenditure will have on the project agency's budget and the State's ability to service expenses with available revenue. The following formula is used to calculate the net operating balance.

Net Operating Balance = Total Revenue – Total Expenses

Public sector net debt is a cumulative measure of the quantum of cash leaving the State Government's consolidated account, including both recurrent and capital expenditure. Determining the net debt impact of a project is dependent on the prescribed funding source.

What is Required?
Specify any material variations to assumptions underpinning financial analysis undertaken in the ERC-approved business case. Include an operating model as an appendix to the PDP, identifying periodic cashflows and specifying the total cost of ownership for the entire operational lifecycle of the asset. Include a Financial Impact Table covering the procurement and construction stages of the project. Confirm the anticipated impact the project will have on the State's net operating balance and net debt.

Funding Source

Funding arrangements considered as part of the ERC-approved business case may need to be re-visited as part of the development of a PDP. Agencies should assess whether there may be more than one potential funding source for the asset investment proposal and evidence that assessment.

What is Required?
Identify what capital and recurrent funding is required to implement the asset investment through the procurement, construction, commissioning, and operational stages, including the confirmation status of each funding arrangement (confirmed or yet to be confirmed). Identify whether the project will receive funding from non-State Government sources, and if applicable, provide a schedule of proposed milestone payments.

Schedule and Cost Risks

Agencies are required to specify any risks associated to the cost and scheduling of a project, including potential schedule delays and cost pressures.

What is Required ?
List any other potential schedule and cost risks that may pose a threat to project delivery. Identify how risks will be mitigated or, if realised, managed and escalated (if required).

Summary of Recommendations

The closing section of a PDP should summarise the recommendations of how a project will progress through the construction and delivery stage through to service delivery operations. This statement provides decision-makers with critical information on the direction of a project and details the intent to seek endorsement.

Material Variations

Material variations are deviations from the original parameters and constraints of the business case that have a significant positive or negative impact on the:

- scope, quality, cost, risks, or schedule outlined in the ERC-approved business case investment option; or
- the cost benefit analysis that underpinned the business case, including the social and economic benefits envisaged.

A material variation may affect an underlying assumption or a functional criterion (e.g. that 24/7 operations are essential) or a price (such as for a service to construct or maintain an asset).

Given that a sound PDP will take time to complete (six to 12 months depending on the proposal value, risk, and/or complexity), new developments and imperatives may arise during that period that necessitate modifications to the business case parameters. For example, there may be recent changes to Government policy, legislation, regulations, compliance codes and accreditation standards; or to the requirements of a partner agency or public stakeholder.

The need to correct material errors is expected to be rare given that the preparation of the business case should have been robust. However, a correction may not have been foreseeable, such as a significant increase in construction costs due to high workforce demand after a natural disaster. Other corrections may reflect improvements to the business case advice based on the more detailed understanding of the proposed investment.

What is Required?

Outline any material variations that were identified during the project design and definition stage, in terms of scope, time, and/or cost to that of the ERC-approved business case.

Outline any variations to the proposed infrastructure quality, risk profile, and/or underlying assumptions.

The use of a comparison table between the ERC-approved business case and the PDP, with detail of the reasons for differences, is recommended.

Financial Investment Proposal

The PDP is developed after ERC has made an investment decision on a proposal (i.e. after the business case has been approved) but before a decision to commence the delivery phase of a project has been reached. The focus should be on providing validation that concentrates on project definition and delivery issues and risks before preparing for tender.

In some cases, particularly where projects may be high-value and/or high-risk, Government may defer a final investment decision until a robust PDP has been completed. The financial investment proposal should therefore describe how the project will proceed on the basis of government investment, concentrating on any residual issues, risks and constraints and how they will be managed.

What is Required?
Justify the basis on which the asset investment proposal proceeds, including the asset definition, scope, cost, procurement approach, and delivery timeframe. Identify significant issues, risks, and constraints and how these will be managed. Summarise the project assurance controls that will be implemented during the next stages.

Appendix A: Purpose, Rigour, Detail Comparison

	Business Case	PDP	Contract
Purpose	Robust advice/reasonable certainty to identify the best value for money option.	Serves as a critical validation tool, refining and testing the project scope, cost and timeline proposed in the business case before preparing tender documentation. By advancing the design to a greater level of detail and conducting site-specific investigations, the PDP verifies the project's feasibility, identifies potential risks, and establishes more precise delivery parameters. Helps decision-makers set the parameters for project delivery (e.g. scope, cost, schedule and risk).	Signature creates obligations and liabilities (based on clear statement and understanding of project definition, quality and objectives).
Options	Cabinet-approved option drawn from the shortlisted set (status quo; recommended; and alternatives).	Focused on delivery of the ERC-approved business case option. Highlights and seeks approval for material variations from the endorsed parameters.	Focused on the final project definition (including approved PDP variations).
Depth/Rigour	Robust	Detailed and Accurate	Precise
Scope	Early/initial master plan. Clear scale and standard (e.g. square metres of land and facility; hospital room and bed numbers; vehicle model and numbers).	Demonstrates project resolution and clarity.	Delivery work starts according to endorsed PDP scope. Construction-ready design 'fixed' (no further modifications).

	Business Case	PDP	Contract
		Clear asset definition package: an updated master plan; detailed functional requirements, design criteria, standards and layout; and an initial technical description. Detailed design is also undertaken to ensure that all specifications are sufficiently developed. This work is supported by in-depth site investigations, confirming feasibility and ensuring that the project's scope, cost, schedule, and risks are clearly defined support informed decision-making and guide the transition into a seamless transition into tendering and construction phases.	
Benefits	Precise statement of benefits and Key Performance Indicators (KPIs). Rigorous cost benefit analysis (strong quantitative).	Nil additional benefit analysis unless the ERC-approved business case parameters have changed.	Targets statement of benefits and KPIs in the ERC-approved business case and subsequent approved refinements.
Cost	High-quality estimates by appropriately experienced people (similar to quantity surveyor standard and method). Robust contingency calculation by line item (justified/not broad brush).	Accurate/closer to tender-quality/fully itemised/based on detailed understanding of asset scope and risk with cashflow aligned to schedule.	Price locked in

	Business Case	PDP	Contract
Schedule	Detailed and well-constructed Based on indicative work breakdown structure	Critical paths identified, accurate understanding of task, task interdependencies, task durations leading to forecasted completion date. Broken down by month.	Schedule locked in; Contractor Schedule available.
Risk	Sound strategies to control main project risks. Backed by risk register and risk management reviews.	Focused on project delivery risks (scope, cost, schedule, procurement etc). Clear, overall risk profile based (e.g. on project-specific evaluation and lessons learned from similar projects). Risk aligned to contingency or provisions.	Parameter risks and overall profile locked in.
Delivery Plan	Clear implementation plan with strategies established for major aspects including: • governance; • project management; • stakeholder communication and engagement; and • benefit realisation and reporting.	Detailed implementation plan to support preparation to achieve readiness for market.	Work proceeds according to approved requirements and timing.