



SAFE AND SECURE WATER PROGRAM

Funding approval, assurance and reporting requirements

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Overview

Background

The Safe and Secure Water Program addresses key risks to regional water safety and security in NSW. The program's purpose is to provide safe, secure and sustainable water and wastewater services to regional NSW towns.

The \$1-billion program was established in August 2017 under the NSW Government's Restart NSW fund. Although the investment so far has delivered significant benefits, recent reviews of the program identified potential improvements to better target the available funding.

In October 2018, the program was relaunched with new criteria. Under the new program, three streams of funding are available:

- Funding stream 1: development and delivery of water quality, water security and environmental solutions
- Funding stream 2: integrated water cycle management (IWCM) strategies
- Funding stream 3: high-risk dams.

The revised program will manage the balance of Safe and Secure Water Program funding. It is scheduled to run for five to seven years, or until all funding is committed.

For more information on eligibility for funding under each stream, please see the [Program Guidelines](#).¹

Under the revised program, funding under stream 1 is not an applicant-led process. The Safe and Secure Water Program has compiled a database of known risks throughout the state, with risks ranked on the basis of a Prioritisation Framework. If a risk is prioritised for funding, the program team will contact the proponent to confirm their commitment to co-fund a project that will resolve the risk.

In committing to resolve the nominated risk, both the Safe and Secure Water Program and the proponent must acknowledge that pricing may be uncertain in the final outturn cost of a mitigation project. This will depend on the nature and understanding of that specific risk.

Subject to confirmation of the above, the program team will work with the proponent to agree on a high-level project plan to develop the most appropriate solution. Depending on the proponent's understanding of the risk and possible solutions in its strategic planning context (the integrated water cycle management or IWCM strategies), this project plan may take various forms.

For a risk that is well understood, evaluated and shared with the community as part of a strategic planning process, the project plan may start with an options assessment or concept design. For risks not previously well understood or evaluated, there may be a need to first update the strategic plan/IWCM before starting any detailed options assessment.

¹ www.industry.nsw.gov.au/__data/assets/pdf_file/0003/205860/sswp-program-guidelines.pdf

Document purpose and application

This document is intended to support the [Program Guidelines](#) and provide potential proponents with:

- a common language and key reference points for the project delivery lifecycle, to enable effective discussions between potential proponents and the program management office (PMO). (See Project lifecycle and phases)
- clarification on the activities and deliverables which the program considers to be covered under each funding stream and funding phase (See Funding streams and phases)
- clear and concise guidance on the assurance and reporting deliverables that will be required during the delivery of a project that is funded through the program (See Assurance and reporting requirements).

It is not the intent of this document to provide proponents with 'instructional' advice on how to plan and/or deliver a project. It does not supersede a proponent's internal processes or procedures, or those that may be required to allow the project to proceed, such as regulatory approvals.

Proponents should consider how the program assurance and reporting requirements align with their own processes and should integrate requirements into their own processes as required.

This document is applicable to all projects seeking funding under the program.

Project lifecycle: project and funding phases

Although terminology may differ slightly between industries and organisations, it is widely agreed that the delivery of projects follows a similar lifecycle of 'phases.' Each project lifecycle phase requires certain activities to be carried out and deliverables to be produced.

The project lifecycle outlines the types of activities proponents expect to undertake and the deliverables they expect to produce during each phase of a (water infrastructure) project delivery lifecycle. A graphical representation of the project lifecycle can also be found in **Appendix A The assurance framework poster**.

The Safe and Secure Water Program potentially provides funding for all phases of the project lifecycle through different funding streams and funding phases. These may cover different types of projects and/or different stages of the project lifecycle. Funding streams and phases provides more information.

Project lifecycle and phases

This section provides proponents with guidance on the activities they typically expect to undertake and the deliverables they expected to produce during each phase of a (water infrastructure) project delivery lifecycle. The activities and deliverables are shown for two project delivery strategies:

- **Construct only:** The client (or proponent) takes responsibility for the delivery of a detailed design. Construction/implementation works are carried out by a contractor (See Figure 1)
- **Design and construct:** The contractor takes responsibility for both detailed design and construction (See Figure 2).



Figure 1. 'Construct only' project lifecycle



Figure 2. 'Design & construct' project lifecycle

We assume that several best-practice project management activities will be undertaken in each phase, including:

- producing/updating a project management plan (including resource planning for each phase)
- cost and schedule management (including reporting)
- risk management
- change management
- quality management
- knowledge management including lessons learned.

An overview of a typical Safe and Secure Water Program project lifecycle is also shown in Appendix A The assurance framework poster

Strategic planning

In the strategic planning phase of the project lifecycle, a proponent examines the existing risks and issues within their sphere of operation and establishes the key needs that require investment. The proponent may achieve this through:

- examining existing operational and maintenance data
- consultation with community and stakeholders
- consultation with water regulatory agencies such as the Department of Planning, Industry and Environment, NSW Health and the Environment Protection Authority (EPA).

Activities undertaken during this phase may include:

- water demand and sewer load analysis
- establishing agreed levels of service
- secure yield analysis of water sources
- sizing of infrastructure
- feasibility level options assessment.

During this phase, the proponent will identify at system level (water supply, water distribution and sewage management), the key risks and issues and potential solutions. This will include lifecycle cost estimates for risk resolution (at the appropriate level of confidence) and the impact on the community (for example the impact on Total Residential Bill). They may also establish the priority and sequencing for addressing the risks/issues.

The strategic planning phase is essential to establish the needs of the proponents' local area and community. In line with best-practice water management, it would ideally result in the production of a 30-year integrated water cycle management strategy (IWCM) that delivers:

- a total asset management plan
- a financial plan
- a drought and emergency response plan.

See the [Department of Planning, Industry and Environment—Water website](#)² for more information.

A proponent who has not completed strategic planning or an IWCM may be eligible for funding under Stream 2 of the program.

Options study

For proponents who have completed an IWCM and are entering the options study phase, the options study phase is an opportunity to gather more details and validate the potential solutions that were identified during the strategic planning phase. Depending upon the level of option development undertaken during the strategic planning phase, the options study phase may be a brief validation of options, considering any further information that has been received since completion of the IWCM.

Proponents entering the options study phase would be expected, as a minimum, to have completed a reasonable level of strategic planning. The expected standard would usually include the completion of an IWCM in accordance with the current checklist (or equivalent).

This requirement will be considered on a case-by-case basis, depending on project complexity and the level of strategic planning already completed. For proponents that have not completed a full IWCM in accordance with the checklist, more extensive option development activities may be

² www.industry.nsw.gov.au/water/water-utilities/best-practice-mgmt/iwcm

required during this phase. Gateway 0 approval is required for commencement of the options study phase.

Proponents may undertake surveys and investigations, including a preliminary environmental investigation, during this phase to inform the options analysis. During this phase, proponents would identify key design constraints and required standards, for example the required levels of service and/or the design requirements for anticipated growth. Any constraints likely to be imposed by the projects' local community and stakeholders should also be identified (through additional consultation, if required).

The options study phase should result in the production of:

- an 'options report' that includes:
 - an assessment of the costs and benefits (including but not limited to a financial assessment, multiple criteria analysis and/or economic assessment) of each potential option
 - procurement strategies, high-level schedule and risk assessment for each potential option
 - a preferred option
- a project cost estimate
- financial plan/funding strategy; considering the impact of the preferred option on Total Residential Bill and the capability of the local community to fund the works.

The options study is included in 'development phase' funding for Streams 1 and 3 of the program. Refer to Funding streams and phases for more information.

Concept design

Following agreement on a preferred option in the options study phase (project assurance Gateway 1—refer to Assurance and reporting requirements section), the concept design phase starts with developing the preferred option design to a level of detail where:

- environmental and planning approvals can be sought
- a sound investment decision can be made.

During this phase, proponents may undertake more detailed surveys and investigations and examine the preferred option from a health and safety, risk and constructability perspective. More value management exercises may be undertaken on technical design options.

Community and stakeholder consultation will continue during concept design (including public displays of environmental assessments if required) and land acquisitions may also start if required.

To proceed through funding assurance Gateway 2 (refer to Assurance and reporting requirements section), a proponent who has completed a concept design should have delivered:

- a concept design report that is endorsed by the Water Division of the Department of Planning, Industry and Environment under the Section 60 approval process (if required)
- a preliminary or draft environmental assessment (EA) that has included consultation with relevant planning authorities (depending upon the complexity of the project, the final EA may not be completed or approved by the end of concept design)
- project plan/business case for the project (including defined procurement/delivery methodology, updated risk assessment, a project schedule, governance arrangements and cost estimate).

For projects delivered via a design and construct delivery methodology, detailed specifications for inclusion in the project tender may also be a deliverable for this phase.

The concept design is included in ‘development phase’ funding for streams 1 and 3 of the program. Refer to Funding streams and phases for more information.

Detailed design and tender

As shown in Figure 1 and Figure 2, depending upon the delivery methodology, procurement may either follow or precede detailed design.

Regardless of the procurement methodology, we expect that, before construction/implementation begins:

- the technical design has been developed to a level ready for construction
- all statutory approvals and permits have been received
- any land required for construction has been purchased
- a contractor/contractors has been procured to undertake the works.

Detailed design and tender are included in ‘delivery phase’ funding for streams 1 and 3 of the program. Refer to Funding streams and phases for more information.

Construction/implementation

The final phase of project delivery involves the construction (or in the case of non-infrastructure solutions, implementation) of the project scope, usually by a contractor. During construction, the proponent may undertake site inspections, manage works as executed (WAE) drawings and manage the construction contract.

The construction/implementation phase also covers the commissioning of assets, including the preparation of handover documents and any testing and training required to bring the asset into use. This phase of funding covers the close out of any construction contracts, including any defects liability periods, and the finalisation of any land matters related to the project

Construction/implementation is included in the ‘delivery phase’ funding for streams 1 and 3 of the program. Refer to Funding streams and phases for more information.

Funding streams and phases

The program can potentially provide funding for all phases of the project lifecycle through different funding streams and funding phases as shown in Figure 3 below and Figure 1 and Figure 2.

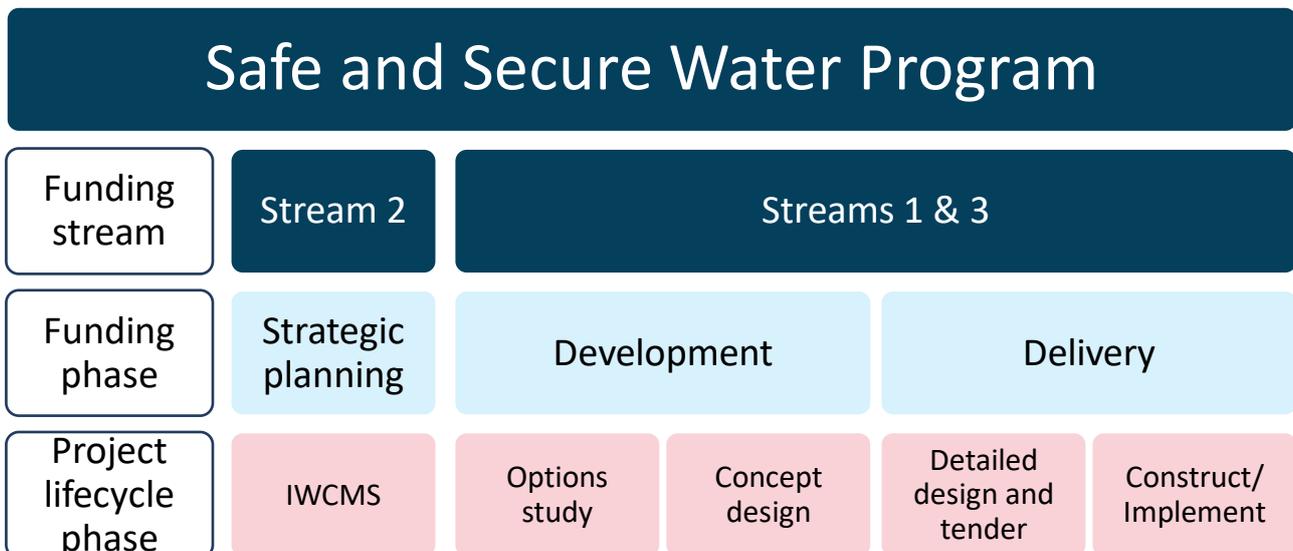


Figure 3. Program funding streams and phases

The funding provided under each stream and phase is outlined below.

Funding stream 2: Integrated water cycle management

Stream 2 provides funding for the **strategic planning phase** of the project lifecycle; to allow regional NSW local water utilities to undertake sound long-term planning and asset management, in line with the best-practice recommendations. Funding under this stream is available for the production of an integrated water cycle management strategy (IWCM).

Funding under this stream may be sought by proponents who have:

- not undertaken any form of strategic planning and wish to produce an IWCM, or
- previously produced an IWCM but it is not considered current or requires an update, or
- undertaken some strategic planning under a different framework but have not completed all of the deliverables required for a complete IWCM. Funding may be provided to undertake the required planning elements to bring the proponent in line with best practice.

See the [Program Guidelines](#) for more information on eligibility for funding stream 2.

Funding under stream 2 will be approved by the department based on agreement of the IWCM scope and proposal.

Funding streams 1 and 3

Streams 1 and 3 of the program may cover the **options study, concept design, detailed design & tender and construction/implementation phases** of the project lifecycle for different projects.

Stream 1 of the program funds solutions to improve water quality, water security and environment risks and issues in regional NSW (See [Program Guidelines](#) for more information on risks and issues, and risk solutions). In most circumstances, the proponent will have identified these solutions or projects through comprehensive strategic planning, preferably through the production of an IWCM (see funding stream 2).

Stream 3 of the program funds the repair or decommissioning of dams prescribed in the *Dams Safety Act 2015*. These projects may not have resulted from strategic planning.

See the [Program Guidelines](#) for more information on eligibility for funding stream 1 and 3.

Due to the breadth of the project lifecycle covered under streams 1 and 3, and to ensure that appropriate solutions are developed and implemented, funding for streams 1 and 3 may be allocated in 3 funding phases:

- development (Gateway 0)
- pre-tender (Gateway 2a)
- post-tender (Gateway 2b)

Funding for the three phases will be contingent upon proponents meeting assurance requirements (gateways) and achieving key milestones.

Note: Non-infrastructure projects may follow an accelerated process and may be eligible to apply for development and delivery phase funding together. Non-infrastructure solutions should be discussed with the department so that funding and assurance requirements can be tailored as required.

Funding is available for proponents who have already partially completed a project phase, provided that a contract has not already been awarded for the element to be funded. For example, a proponent who has completed an options study can receive funding for the remainder of the development funding phase (that is concept design), provided a contract for the concept design has not been awarded.

Funding phase: development

The 'development' funding phase covers the **options study and concept design phases** of the project lifecycle.

Proponents wishing to receive funding for 'development' of a project must meet the requirements for **Gateway 0**. Proponents wishing to receive (and continue receiving) funding for development of a project must continue to meet the assurance and reporting requirements as outlined in Assurance and reporting requirements.

Once approved, funding will be **paid to proponents in arrears**, based on key milestones achieved. The key milestones for the development funding phase are outlined in Table 1 below. We will give proponents more information about the payment process, including submission of payment claims under the program, through the funding deed agreement process.

Table 1. Development phase key milestones

Project lifecycle phase	key milestone
Options study	Options report and project estimate (preferred option) endorsed by the Safe and Secure Water Program (Gateway 1)
Concept design	<p>Concept design report; endorsed under the Section 60 process (if required)</p> <p>Project plan/business case endorsed by the Safe and Secure Water Program (Gateway 2a)</p> <p>Draft environmental assessment (refer to page 5)</p>

Final payment of funding for this funding phase may be withheld until the proponent has met the requirements of Gateway 2a.

Funding phase: pre tender and post tender delivery

The 'delivery' funding phase covers the **detailed design and tender and construction/implementation phases** of the project lifecycle. Proponents wishing to receive funding for 'delivery' of a project must meet the requirements for **Gateway 2a and 2b**. Proponents wishing to receive (and continue receiving) funding for delivery of a project must continue to meet the assurance and reporting requirements as outlined in Assurance and reporting requirements.

Once approved, funding will be **paid to proponents in arrears**, based on key milestones achieved. Indicative key milestones for the delivery funding phase are outlined in Table 2 below. We will give proponents more information about the payment process, including submission of payment claims under the program, as part of the funding agreement process.

The final payment for this phase may be withheld until the proponent has met the requirements of Gateway 3.

Table 2. Delivery phase indicative key milestones

Project lifecycle phase	Key milestone	Gateway
Section 60 approval of detailed design (relevant projects)	For relevant projects detailed design Section 60 approval (note comes after contract award for design and construct)	
Tender	Pre-tender estimate approved by the Safe and Secure Water Program prior to Tender documents approved for release (proponents' own process -evidence provided to SSWP)	2a
Post tender	Tender assessment and recommendation by the proponent. Preferred tender recommendation provided to the program including updated project delivery phase costs	
	Funding confirmation provided to the proponent by the Safe and Secure Water Program	2b
Contract award	Contract award approved (proponents' own process — council resolution—evidence provided to program)	
Construction	20% construction complete	
Construction	50% construction complete	
Construction	80% construction complete	
Construction	100% construction complete (practical completion)	Gateway
Construction	Finalisation of the project (Gateway 3)	

Assurance and reporting requirements

Assurance requirements

Assurance processes during the project delivery lifecycle give the NSW Government, as the investor, a level of confidence that projects funded through the program will be effectively developed and delivered on time, on budget and in accordance with the program's objectives. Assurance provides confidence that a project or program will be successful and deliver defined outcomes.

Proponents receiving funding under the program must provide assurance at key decision points or 'gateways'. Meeting the requirements of a gateway is **mandatory** for proponents who wish to be approved for and/or continue to receive funding under the program.

Depending upon the value and perceived risk of a project, proponents may also need to provide assurance to Infrastructure NSW. The Department of Planning, Industry and Environment —Water will advise proponents if this is required.

As shown in Appendix A, all projects funded under (streams 1 & 3) of the program will be required to pass up to four gateways, depending upon the funding streams or phases applied for:

- **Gateway 0**—this is a 'funding gateway'. Proponents wishing to receive funding for the development phase of a project must meet the requirements of this gateway.
- **Gateway 1**— this is a technical assurance gateway at the end of the options study and before starting concept design.
- **Gateway 2**—this is a 'funding gateway'. Proponents wishing to receive funding for the development phase of a project must meet the requirements of this gateway.
- **Gateway 3**—this is a technical assurance gateway at the end of the project to ensure that all deliverables funded under the project have been completed.

All gateways involve the submission of evidence (by the proponent) that is assessed either by the department internally or a gateway review panel. Evidence required for each gateway is outlined in the following sections.

Gateway 0 (funding assurance gateway: development)

Gateway 0 is a funding gateway and is a mandatory requirement for any proponent seeking funding for the development funding phase (or part thereof). Proponents must provide evidence that the proposed project meets the two criteria for Gateway 0:

1. strategic alignment
2. investment planning.

Depending on the stream of funding applied for, different types of evidence can be provided by proponents for criterion 1 as shown in Table 3:

Table 3. Gateway 0 criteria—criteria 1, 2 & 3 to be met

No.	Gateway 0 criteria	Required evidence
Criteria 1 : Strategic alignment (stream 1 only)		
1.	a. Project addresses risk that has been identified as a priority for funding under the Safe and Secure Water Program	Assessed as a priority – proponent was contacted by the program team and invited to submit a project plan covering appropriate project phases
Stream 1 projects cannot proceed with Safe and Secure Water Program funding unless criteria 1, step 1 a above has been met otherwise no further assessment is required		
	b. Project was identified as required through an IWCMS or equivalent strategic planning report	Must include: <ul style="list-style-type: none"> total asset management plan financial plan with long-term price path
Criteria 1 : Strategic alignment (stream 3 only)		
1.	Proponent is a prescribed dam owner as defined in the <i>NSW Dams Safety Act 2015</i>	Proof of current inclusion on the published list of town water dams classified above the “limit of tolerability”
Criteria 2: Investment planning		
2.	Proponent has demonstrated an understanding of the technical challenge faced and comprehensive planning of the project.	Must include: <ul style="list-style-type: none"> problem identification/definition benefits & objectives of the project scope of the proposed solution/project including: <ul style="list-style-type: none"> risks and assumptions deliverables or outputs estimated project costs delivery plan including milestones/schedules funding strategy (including funding sought from the program and commitment from any other sources)
3.	Proponent has demonstrated commitment from council/other investors	Project included in: <ul style="list-style-type: none"> council’s resourcing strategy council’s delivery plan Funding application: <ul style="list-style-type: none"> approved by council resolution (\$150k+) or appropriate delegate approval

Gateway 0 assessments will be undertaken by the gateway review panel based on evidence provided by the proponent.

Note: Any projects being assessed for development phase funding for concept design only will also be assessed against Gateway 1 criteria.

Gateway 1 (Technical assurance gateway: preferred option endorsement)

Gateway 1 is a technical assurance gateway undertaken at the end of the options study phase of the project lifecycle. It is a mandatory gateway for any project receiving 'development phase' funding. To pass from options study phase to concept design, the proponent must receive endorsement of the options report for the project, including the preferred option to be taken forward into concept design.

Gateway1 assessments will be undertaken by the department.

Failure to seek endorsement or meet the requirements of Gateway 1 may result in funding being withheld for concept design.

Gateway 2a (Funding assurance gateway: delivery phase)

Gateway 2a is a funding gateway and is a mandatory requirement for any proponent seeking funding for the delivery funding phase (or part thereof). Proponents must provide evidence that the proposed project meets the three criteria for gateway 2a as shown in Table 1:

1. appropriateness of project design
2. affordability
3. deliverability

Note: Any projects being assessed for the first time (that is that were not funded by the program for the development phase) will be assessed against Gateway 0 and Gateway 1 criteria also.

The proponent must provide justification within the business case/project plan for the project pre-tender cost estimate, including any direct client costs supplementary to the proposed main contract (contracted project and construction management resources). The estimate may include the proponent's evidenced assessment of appropriate contingency in light of the specific project risk.

Table 4. Gateway 2a Criteria

No.	Gateway 2a criteria	Required evidence
Criteria 1: Appropriateness of the project design		
	Proponent has produced a concept design or equivalent which has sufficiently developed a technically feasible solution to the identified risk.	Concept design report or equivalent (if required) Preliminary or draft environmental assessment
	Current status of statutory approvals (e.g. environmental approval/Section 60, etc.)	Approval certificates or Evidence of appropriate consultation/no known impediments to approval For treatment plants Section 60 concurrence is mandatory
Criteria 2: Affordability		
	Proponent has demonstrated appropriateness of (capex) budget and the funding strategy	Evidenced in business Case / project Plan: <ul style="list-style-type: none"> • <i>Detail cost estimates</i> • <i>Financial plan including funding strategy</i> • <i>May also be compared to similar projects as benchmark</i>
	Proponent has demonstrated they have the financial capacity to fund lifecycle costs (i.e. ongoing operation, maintenance and administration—OMA—costs, renewals, etc.)	Evidenced in business case / project plan through: <ul style="list-style-type: none"> • <i>Net present value/BCR (ability of project to pay for itself) OR</i> • <i>Impact on TRB/qualifying charge and ability & willingness of community to fund</i>
Criteria 3: Deliverability		
	Demonstrated the planning necessary to deliver the project and the capability to deliver the project in accordance with the proposal	Adequacy of project management plan (and/or supporting documents) such as: <ul style="list-style-type: none"> • Appropriateness of procurement methodology • Appropriateness of resources • Attainability of schedule • Adequacy of proposed risk, safety, quality and environmental management systems

Evidence provided by proponents at gateway 2a will be assessed by the gateway review panel.

Gateway 2b (Funding assurance gateway: Preferred tender price)

Gateway 2b is a funding gateway and is a mandatory requirement for any proponent seeking funding for the delivery funding phase (or part thereof). Following tender assessment, proponents must provide evidence and justification of the preferred tender price and confirmation that the grant amount approved under Gateway 2a is sufficient for finalisation of the contract.

Table 5. Gateway 2b criteria

No.	Gateway 2 criteria	Required evidence
Criteria 1: Preferred tender		
	Preferred tender recommendation aligns with criteria approved at gateway 2a and award price is in line with grant approved at gateway 2a	<p>Copy of tender assessment and recommendation including proposed award value and detailed breakdown.</p> <p>Safe and Secure Water Program may request further tender details including a copy of the full tender where additional information is required to assess the submission.</p>

Evidence provided by proponents at Gateway 2b will be assessed to confirm that the final tender scope including any negotiated terms is appropriate.

- Where the grant approved under gateway 2a is sufficient, PMO will advise the proponent accordingly and the proponent can then finalise a contract with the preferred tenderer.
- Where the approved grant is in excess of ‘other costs’ plus 105% of the approved tender price, PMO will advise the proponent that they can finalise a contract with the preferred tenderer and that the grant will be adjusted by PMO via a variation to the funding deed to total; ‘other costs’ plus 105% of the approved tender price.
- Where the grant approved under gateway 2a is less than ‘other costs’ plus 105% of the approved tender price, PMO will prepare a submission to the prioritisation review panel for allocation of additional funding to ‘other costs’ plus 105% of the approved tender price.

‘Other costs’ above refers to any non-tender costs eligible under the program for inclusion in the grant and may include development phase costs plus council’s own costs including land acquisition, minor contract works, project and construction management and contract administration etc.

Gateway 3 (Technical assurance gateway: project close-out)

Gateway 3 is a technical assurance gateway undertaken at the close-out of the project. It is a mandatory gateway for any project receiving ‘delivery phase’ funding. Proponents must provide evidence that the proposed project has met the three criteria for Gateway 3/closeout as shown in Table 4:

1. physical completion of the works
2. practical completion issued
3. approval and handover of the works.

Table 6. Gateway 3 criteria

No.	Gateway 3 criteria	Required evidence
(Physical) Completion of works		
	Proponent has demonstrated that the technical solution funded under the program has been delivered.	Construction report and WAE drawings Practical completion certificate
Approval and handover of works		
	Asset or assets have been approved by the necessary statutory bodies and accepted into service by the asset owner	Statutory approval certificates Asset managers acceptance of maintenance responsibility
Commercial close-out of the project		
	Proponent has adequately demonstrated that all accounts have been settled or sufficient monies have been claimed to settle in future.	Final certificate <ul style="list-style-type: none"> Including estimate of all remaining land acquisition costs

Gateway 3 assessments will be undertaken by the department.

Failure to submit required evidence for Gateway 3 may result in funding being withheld for the final stage of the delivery phase.

Reporting requirements

In addition to funding gateways proponents will be required to provide a **quarterly progress report** to the PMO which includes:

- identification of any major scope changes
- a cost progress update for the phase of funding received:
 - actuals and forecast compared to funding approved
 - draw down on contingency and total contingency remaining
- any known change in total estimated cost of the project
- a schedule progress update showing progress against key milestones (whole of project lifecycle)
- top 10 risks and issues for the project.

More information on project specific reporting requirements will be provided during the signing of a funding agreement.

Appendix A – The assurance framework poster



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