



# **NSW PUBLIC PRIVATE PARTNERSHIPS GUIDELINES**



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# 1. EXECUTIVE SUMMARY

The procurement of infrastructure and associated services through Public Private Partnerships (PPP) (PPPs are also known as Privately Financed Projects in NSW) by any NSW Government agency, including State Owned Corporations (SOCs), need to comply with:

- the *National Public Private Partnerships Policy and Guidelines* (the National Guidelines); and
- NSW specific requirements in these *NSW Public Private Partnerships Guidelines*.

These Guidelines supersede the NSW 2006 *Working with Government Guidelines for Privately Financed Projects*. PPP projects contracted through unsolicited proposals with a private sector proponent need to also comply with the *Guide for Submission and Assessment of Unsolicited Proposals*<sup>1</sup>.

These Guidelines provide a transparent mechanism to competitively pursue innovative solutions to deliver improved services and better value for money. This is primarily achieved through optimal risk transfer, management synergies, encouraging innovation, efficient asset utilisation and integrated whole-of-life asset management. The achievement of “off balance sheet” transactions is not the motivation for the Government to deliver PPPs.

All NSW Government agencies, other than State Owned Corporations (SOC), are also subject to the NSW Government Procurement Policy<sup>2</sup> and its associated guidelines. SOCs are subject to the Commercial Policy Framework<sup>3</sup>. Local government councils are required to comply with separate guidelines as per Part Six of Chapter 12 of the *Local Government Act 1993*.

PPPs have the following principal features:

- creating public infrastructure assets through private sector financing and ownership control;
- a contribution by Government through land, capital works, risk sharing, revenue diversion or other supporting mechanisms<sup>4</sup>; and
- engaging the private sector for a specified period for the delivery of related services.

Any “related services” contracted to the private sector should be determined on a project by project basis at the early planning stage of each infrastructure project. Government retains the overall responsibility to meet its service delivery objectives and goals, regardless of any PPP entered.

These Guidelines are based on the following principles:

- ensure PPPs are procured in a professional and transparent manner, minimising tender costs and providing fair opportunity to all prospective private sector participants;
- ensure stability of PPP delivery structures, with sustainable debt financing and robust commercial and financial structures;
- the Government will not guarantee private sector borrowings;
- encourage innovation in the provision of infrastructure and service delivery; and
- ensure the timely disclosure of information on contracts and tenders.

In NSW, for any public infrastructure project with a total estimated capital value exceeding \$100 million, PPP must be assessed as a potential procurement method having regard to value for money drivers.

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<sup>1</sup> Available at <http://www.nsw.gov.au/unsolicitedproposals>

<sup>2</sup> Available at <http://www.nswprocurement.com.au>

<sup>3</sup> Available at [http://www.treasury.nsw.gov.au/Publications\\_by\\_Policy\\_Area#commercial](http://www.treasury.nsw.gov.au/Publications_by_Policy_Area#commercial)

<sup>4</sup> Also see *Public Authorities (Financial Arrangements) Act 1987*, especially Section 5A.

## 2. USING THESE GUIDELINES

These Guidelines are designed to provide Government agencies, the private sector, advisors and other stakeholders a streamlined guide on the NSW specific requirements for PPP procurement and aim to complement the *National Guidelines*.

As these Guidelines apply to a wide range of projects, and in the spirit of efficient procurement (including keeping transaction costs as low as possible), there may be cases where it is appropriate to depart from the processes set out in these Guidelines. In such cases, the procuring agency should seek prior approval from NSW Treasury. Depending on the circumstances, approval from the Treasurer or Cabinet may be necessary.

Any reference to “NSW Treasury” within these Guidelines or to the “relevant PPP authority” in the *National Guidelines* refers to the Infrastructure Financing Unit within NSW Treasury, unless otherwise specified.

NSW Treasury will periodically review these Guidelines and update them as required. Any substantial revisions of these Guidelines will be published following Cabinet approval.

### 2.1. ROLES OF AGENCIES IN PPP PROCUREMENT

Generally, the procuring agency has overall responsibility for delivering a PPP and for ensuring the project will meet its service requirements. Agencies that are not accredited (by Department of Finance and Services) under the NSW Government Procurement Guidelines for either the planning or delivery phase may be required to engage external support, depending on the risk profile of the project.

Where more than one agency is involved in a project’s service delivery outcomes, the Director General of NSW Department of Premier and Cabinet will appoint an agency to lead the project and convene a project’s steering committee. The other agencies will be represented as members on that committee.

In certain circumstances, the Premier may authorise Infrastructure NSW under Part 5 of the *Infrastructure NSW Act 2011* to “step in” to deliver major projects. Such instances include where there is no clear majority stakeholder for a project or the particular agency lacks the required skills or capacity.

The Infrastructure Financing Unit of NSW Treasury is responsible for ensuring that agencies adhere to the processes set out in these Guidelines and the *National Guidelines*, and is the first point of contact in NSW for PPPs. Treasury assists agencies with commercial/financing advice on PPPs through the preparation of required documents, the Public Sector Comparator (PSC) and participating in the tender and negotiation process. An experienced member of the Infrastructure Financing Unit will also be a member of the steering committee for each project. The level of assistance provided by Treasury will vary according to the procuring agency’s level of relevant experience.

The Auditor General is responsible for certifying the accuracy of the Contract Summary prepared by the procuring agency. The procuring agency may consult the Auditor General early in the process on the likely contract structure and the proposed accounting treatment for the PPP.

Other agencies, like the Major Projects Coordination Unit of the Department of Premier and Cabinet may also be involved in a PPP. This will be determined on a case by case basis.

## 3. APPROVAL PROCESSES

### 3.1. OVERVIEW

Government approval will be required at various project milestones throughout the PPP procurement process. The Government approval process and required documentation is illustrated in Figure 3.1 and Table 3.2. Further information on the documentation requirements at each decision point is provided in section 4 of these Guidelines, and in the more detailed *National Guidelines*.

The Cabinet approval process for funding public infrastructure projects and for PPP delivery of that public infrastructure and related services is detailed in section 3.2. Generally, a Cabinet sub-committee with specific mandates (as outlined in sections 3.2 and 3.3) provide approval at the various milestones. However, Cabinet has discretion over whether a full Cabinet approval is required for a particularly significant PPP transaction milestone(s).

Separate Cabinet steps can be combined in some cases, such as when an agency has already advanced project planning and documentation (perhaps because the project is similar to an existing PPP). It may also occur when the funding decision and the procurement decisions are linked (such as for road PPPs funded by user charges).

With respect to PPPs procured by SOCs or other public trading enterprises with a Board of Directors, approval by the Board is required prior to requesting Cabinet approval at each phase outlined in Figure 3.1 and Table 3.2.

In NSW, PPPs also require statutory approvals under the *Public Authorities (Financial Arrangements) Act 1987* (PAFA Act) and, if applicable, the *State Owned Corporations Act 1989* (SOC Act), as detailed in section 3.4 and 3.5.

Environmental and planning approvals (see section 3.7) will be required throughout the procurement process. Gateway reviews should also be conducted at various checkpoints.<sup>5</sup>

### 3.2. INVESTMENT AND PROCUREMENT CABINET APPROVALS

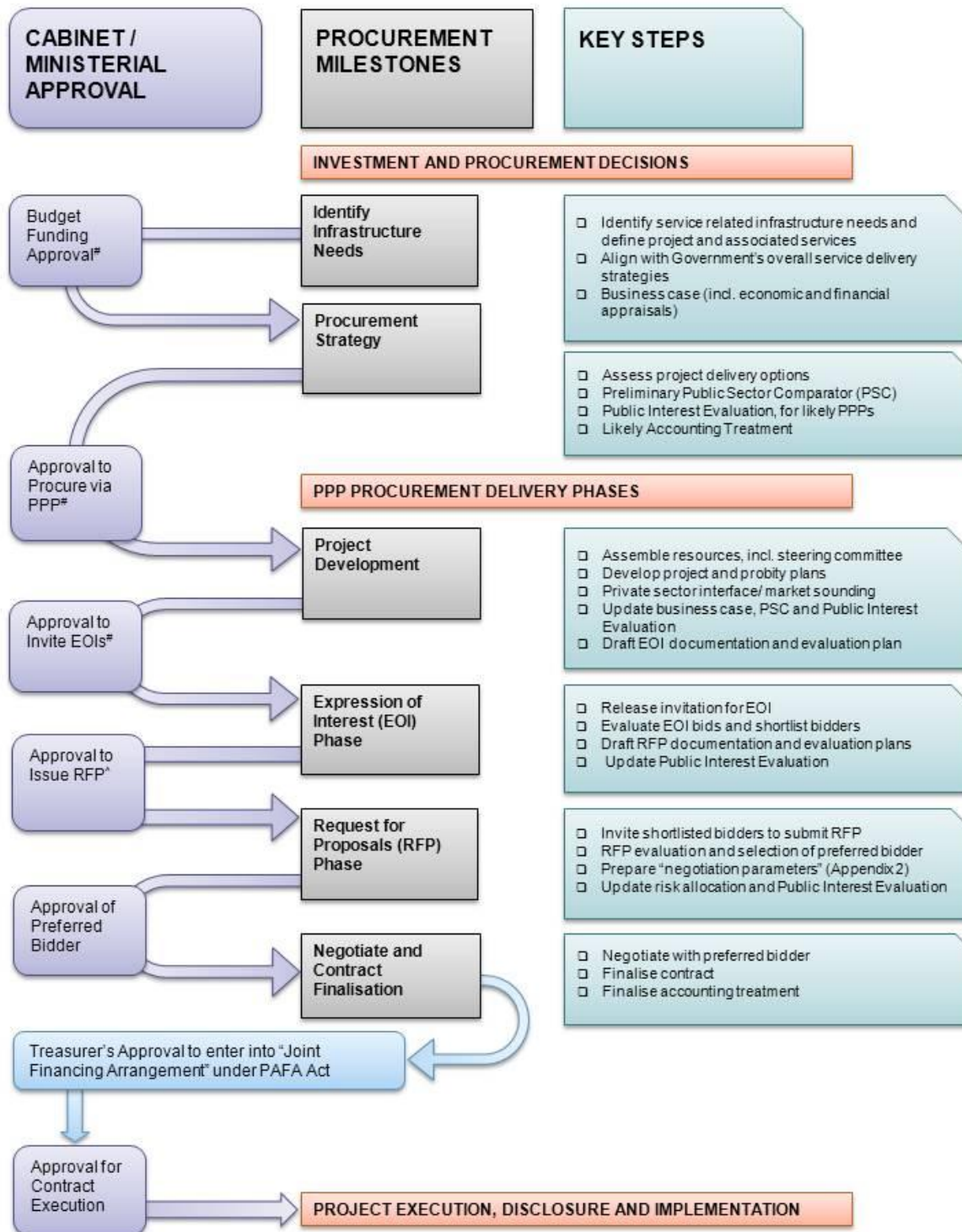
Prior to procuring a PPP project, it must undergo the standard Government infrastructure procurement approval processes, including:

- the investment decision - approval and budget funding to invest in a specific public infrastructure project; and
- the procurement decision - approval of the best value for money procurement method.

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<sup>5</sup> The Gateway review process is outlined in <http://www.nswprocurement.com.au/Government-Procurement-Frameworks/Gateway-Review.aspx> and Treasury Circular 10/13 *Gateway Review System*.

**Figure 3.1 Phases of Government Approval**



# Approvals of some phases may be combined. Further Cabinet approvals may be required for any changes in key assumptions, proposed contractual terms and conditions and/or significant revisions of the Public Interest Evaluation. For further details, see section 3.3.

^ Approval for this phase is only required for very large projects, where there are a large number of bidders, divergent proposals to consider and/or where non-standard key commercial terms need to be endorsed. See NSW Treasury for further guidance.

## **Cabinet Approval for the Investment Decision**

The procuring agency must identify public infrastructure needs to achieve its service delivery objectives. The public infrastructure project should then be developed (based on a business case<sup>6</sup>) in line with the Total Asset Management (TAM) Framework,<sup>7</sup> prior to obtaining Cabinet approval.

The **Cabinet Infrastructure Committee** (CIC) considers infrastructure investment proposals based on agencies' detailed business cases for major projects (those beyond a \$100 million and those elected as significant by the Premier). The CIC takes into account the priority of other projects and consistency with the State Infrastructure Strategy and Infrastructure Plans.

Capital and recurrent funding for the project needs to be approved by the **Expenditure Review Committee (ERC) of Cabinet**, prior to an agency approaching the market. ERC's funding approval decision takes into account the CIC's decisions on the relative need for the project.

## **Cabinet Approval for the Procurement Decision**

The procurement strategy considers the various project delivery methods to assess which option provides Government with the best value for money. The decision to procure a project as a PPP is made by ERC, based on the project's procurement strategy report, business case, Public Interest Evaluation and any CIC recommendations (if applicable).

Where a PPP procurement strategy is elected, the private sector would be the employer of the staff within the PPP, unless otherwise approved by Cabinet.

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<sup>6</sup> Business cases must be prepared in accordance with Treasury Policy and Guidelines Paper TPP08-5 *Guidelines for Capital Business Cases*.

<sup>7</sup> More details on the Government's *Total Asset Management* Policy and Guidelines are available at Treasury's Website: [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au). Whilst SOCs are not bound by TAM policy, their assets strategies should as far as practicable be consistent with the principles of TAM.



### 3.3. CABINET APPROVALS DURING PPP PROCUREMENT

Once funding and PPP procurement has been approved by Cabinet, further ERC approvals will be required at certain stages of the tender process as summarised in Figure 3.1 and Table 3.2.<sup>8</sup> In particular, at each milestone, ERC will consider any material changes in the risk allocation and if PPP procurement remains in the public interest and is likely to provide value for money.

In addition, an agency will be required to seek ERC approval:

- if at any time, the business case conclusion changes significantly, or there are material changes:
- in forecast construction, operating or maintenance costs (particularly due to changes in project scope), and
- in revenues or proposed or maximum user charges;
- if significant additional funding is required from Government or from internally generated funds of the procuring agency, including funding for PPP procurement processes;
- if there is significant change in likely development approval conditions;
- prior to any upfront payment being requested from the private sector; and
- if there is a material change in debt and/or equity financial markets that affects the viability and/or cost of the project.

A further Cabinet approval will be required prior to signing a contract if any of the negotiation terms previously approved by Cabinet cannot be met.

#### **Other Cabinet Approvals: After Contract Signing**

Renegotiation of any significant areas of a PPP contract after it has been approved and signed by Government **will require the agency to obtain Cabinet approval prior to commencing negotiations.**

In the case where the agency wishes to renegotiate or amend any element of a previously signed PPP, the agency is required to consult with NSW Treasury prior to commencing negotiations. Treasury will determine whether it would be appropriate to seek the approval of the Treasurer or Cabinet.

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<sup>8</sup> For PPPs costing \$5m or less in total, Cabinet have delegated approval authority to the Treasurer [Treasury Circular 98/5]. All other projects still require Cabinet approval.

**TABLE 3.2 PPP Procurement & Execution Phases (post Cabinet approval of project funding)**

Phases	Actions
<p><b>1. PPP Project Planning and Definition</b></p>	<p>Once Cabinet has approved project funding and PPP procurement, the procuring agency should:</p> <ul style="list-style-type: none"> <li>• update the business case, including economic and financial appraisals;</li> <li>• determine project scope and management plan, including: <ul style="list-style-type: none"> <li>- related services to be privately provided,</li> <li>- risk allocation matrix,</li> <li>- timetable for procurement showing key milestones, and</li> <li>- probity plan;</li> </ul> </li> <li>• update the Public Interest Evaluation (section 4.1.1);</li> <li>• develop a preliminary PSC (section 4.1.4);</li> <li>• develop a preliminary Fiscal Impact Analysis (Appendix 2);</li> <li>• prepare an estimate of contingent liabilities upon the Consolidated Fund;</li> <li>• prepare a preliminary accounting treatment and taxation opinion;</li> <li>• conduct a preliminary environmental and development planning assessment and consultation (section 3.7)</li> <li>• establish a complete project team and Project Steering Committee (section 4.1.2);</li> <li>• perform market soundings, in consultation with NSW Treasury (if appropriate); and</li> <li>• prepare EOI documentation.</li> </ul>
<p><b>ERC approval:</b> Required to proceed with release of EOI tender documentation.</p> <p><i>ERC submissions must disclose any known probity, policy or other issues likely to impact on the tendering or evaluation processes.</i></p>	
<p><b>2. Expression of Interest</b></p>	<p>An Evaluation Panel, coordinated by the project manager and overseen by the Project Steering Committee, will evaluate the EOIs. Shortlisted bidders (normally about three bidders) would be invited to submit detailed proposals.</p> <p>After EOI Evaluation, the following should also be completed:</p> <ul style="list-style-type: none"> <li>• RFP documentation and evaluation plan;</li> <li>• contracts to issue with the RFP; and</li> <li>• updated: <ul style="list-style-type: none"> <li>- Public Interest Evaluation,</li> <li>- risk allocation matrix,</li> <li>- probity plan (if required), and</li> <li>- the PSC based on RFP documentation.</li> </ul> </li> </ul> <p>The Auditor-General should be advised of the form of the contractual arrangement to be included in the RFP and the likely accounting treatment for the transaction.</p>
<p><b>ERC approval:</b> Agencies should consult NSW Treasury to determine if ERC approval is required.</p>	
<p><b>3. Request for Detailed Proposals</b></p>	<p>The procuring agency may proceed to issue the RFP to shortlisted bidders after gaining any required ERC approvals.</p>

Phases	Actions
	<p>The Evaluation Panel will assess submissions by shortlisted bidders and recommend a preferred bidder. If no satisfactory bid is received, the process may be terminated, or if the Steering Committee believe a value for money solution can be obtained, a Best and Final Offer (BAFO) process or pre-selection (structured) negotiations may be conducted to select a preferred bidder.</p> <p>Prior to obtaining Cabinet approval for entering into negotiations or pre-selection negotiations with a preferred bidder(s), the following need to be completed:</p> <ul style="list-style-type: none"> <li>• 'negotiation parameters' (Appendix 3);</li> <li>• updated: <ul style="list-style-type: none"> <li>- Public Interest Evaluation,</li> <li>- business case (including economic and financial appraisals),</li> <li>- risk allocation matrix and management plan,</li> <li>- Fiscal Impact Analysis (Appendix 2),</li> <li>- probity plan (as required), and</li> <li>- accounting treatment and taxation opinion.</li> </ul> </li> </ul>
<p><b>ERC approval:</b> required before entering into contract negotiations or pre-selection negotiations based on prescribed 'negotiation parameters' with preferred bidder(s).</p>	
<p><b>4. Negotiations and Contract Finalisation</b></p>	<p>Negotiations with the preferred bidder will be based on updated documents listed in Phase 3 (above).</p> <p>Any updated statement of accounting treatment must be submitted to NSW Treasury after negotiations have been finalised. Before the contract is executed, the agency should obtain a NSW Treasury agreed determination on the accounting treatment and should advise the Auditor General of the proposed accounting treatment.</p> <p>The terms of contract, and accounting treatment and taxation opinion should be finalised prior to seeking final Cabinet approval to sign the contract.</p> <p><i>Selection of preferred bidder – not to be made public until after Cabinet approval.</i></p> <p><b>Stated Owned Corporations:</b> may need to obtain the written approval of shareholding Ministers under section 20X of the SOC Act (section 3.5)</p>
<p><b>ERC approval:</b> required prior to the Portfolio Minister (or delegate) signing any contract, if significant variations arise in negotiations.</p>	
<p><b>Treasurer's approval:</b> under the PAFA Act for agencies to enter into a joint financing arrangement. This will be a condition precedent for any PPP contract to become effective.</p>	
<p><b>5. Project Execution, Disclosure &amp; Implementation</b></p>	<p>After contract signing, management of the project will normally be transferred to an implementation team and ultimately to ongoing agency service delivery arrangements to manage the execution and implementation of the contract.</p> <p>This may be overseen by the Project Steering Committee and/or Infrastructure NSW (where a project implementation plan exists<sup>9</sup>).</p>

<sup>9</sup> As part of INSW's function under Part 4, Div 4 of the *Infrastructure NSW Act 2011*

### **3.4. STATUTORY APPROVALS UNDER PAFA ACT**

#### **Approval to enter into Joint Financing Arrangements**

Under section 5A of the PAFA Act, all PPPs fall under the definition of a joint financing arrangement. The Treasurer's approval is required under section 20 of the PAFA Act for the procuring agency to enter into a joint financing arrangement, on the recommendation of the responsible Minister. Treasury should be consulted on the appropriate form of words of the Minister's letter.

The procuring agency will need to provide the Treasurer (and Treasury) with a copy of the final contract deed and the supporting documents, including the updated 'negotiation parameters' (Appendix 3), prior to the Treasurer granting approval to enter into the joint financing arrangement.

***Any amendments to previously signed PPP contracts may also require the Treasurer's approval under the PAFA Act.***

#### **Approval for Government Guarantees under section 22AA or 22B of PAFA Act**

It is not always necessary for performance guarantees to be granted in relation to PPP contracts. NSW Treasury should be consulted regarding the appropriateness of providing guarantees in relation to the performance of an agency's obligations under the contract, under either section 22AA or 22B of the PAFA Act. Where a guarantee is appropriate, a section 22AA guarantee is the preferred mechanism to ensure transaction costs for all parties are minimised.

### **3.5. STATUTORY APPROVALS UNDER SOC ACT**

SOCs may need to obtain the written approval of the Shareholding Ministers under section 20X of the SOC Act. This section of the SOC Act deals with the acquisition and disposal of fixed assets and investments. These approvals should occur prior to obtaining Cabinet and PAFA Act approvals to sign the contract. SOC's should confirm with NSW Treasury to determine whether this approval is required for their particular PPP.

### **3.6. UNSOLICITED PROPOSALS AND DIRECT NEGOTIATIONS**

Unsolicited proposals for PPPs are proposals initiated by a private sector proponent and can provide a source of innovative ideas about how to improve the delivery of Government services. Unsolicited proposals and direct negotiations for PPPs must comply with the principles in these Guidelines as well as the *Guide for Submission and Assessment of Unsolicited Proposals*<sup>10</sup>.

The Director General of Department of Premier and Cabinet is the first point of contact for unsolicited proposals.

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<sup>10</sup> Available at <http://www.nsw.gov.au/unsolicitedproposals>

### 3.7. ENVIRONMENTAL & PLANNING APPROVALS

Environmental and development approval requirements are separate from financial and budgetary approval requirements outlined in sections 3.1 to 3.6. Risks associated with gaining development approvals should be appropriately considered at the outset and updated as required.

Under the *Environmental Planning & Assessment Act 1979* (EP&A Act), the Minister for Planning and Infrastructure provides consent for all State Significant Developments or Infrastructure under Parts 4 and 5.1, respectively. Generally, PPPs are either State Significant Developments or Infrastructure based on project scope and capital investment value.

In all cases, an appropriate level of environmental assessment and community consultation must be undertaken as part of the assessment process. Final environmental and planning approval will not occur until full details of the project to be actually delivered are known.

In general, the trade-off for a higher degree of planning approval certainty is a lower level of private sector innovation. The planning approval process adopted will depend on the level of private sector innovation required. Cabinet should be informed of the planning process that will be followed prior to the procuring agency calling for EOI.

**Likely development approval conditions and their associated costs need to be updated at the various project approval phases. These costs may impact on business case conclusions, triggering the need to seek ERC approval for any material adverse impacts to the project (see section 3.3). The sharing of risks and costs relating to the attainment of approval and compliance with any conditions must also be detailed in the project contract.**

## 4. PROJECT PHASES – NSW REQUIREMENTS

Volume 2 of the *National Guidelines* details the required documentation and procedures at each project phase. However, there are also NSW specific requirements where the *National Guidelines* provide flexibility or where NSW requirements vary from or are in addition to the *National Guidelines*.

### 4.1. PROJECT DEVELOPMENT PHASE

#### 4.1.1 PUBLIC INTEREST EVALUATION

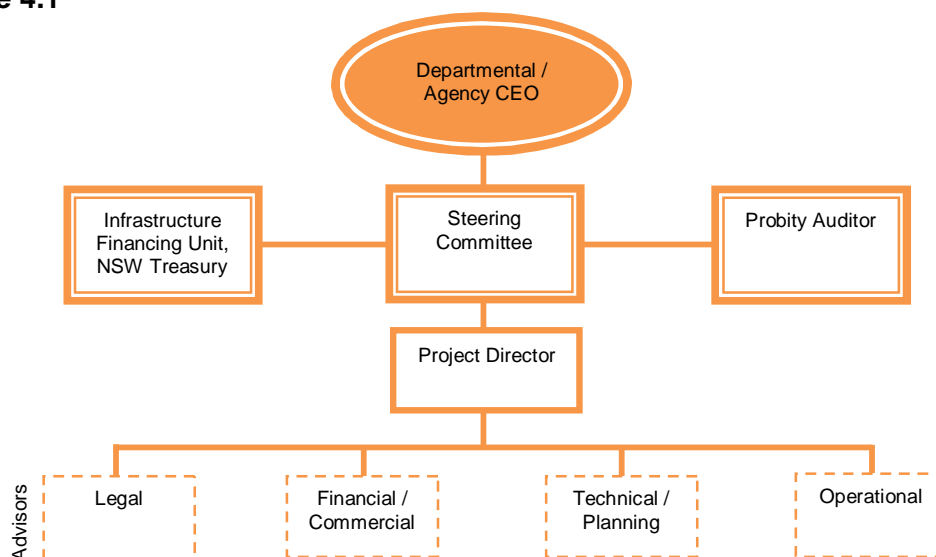
All NSW infrastructure projects where PPP procurement is a possible option need to undergo a Public Interest Evaluation (per Appendix 1) to ensure that the PPP is in the public interest. This must be submitted to and considered by Cabinet prior to proceeding to the market and updated throughout the procurement process, as detailed in Table 3.2. Cabinet may require updates to be submitted at other points during the tender process.

#### 4.1.2 PROJECT MANAGEMENT STRUCTURE

Consistent with the *National Guidelines* all PPP projects should be managed by a project director, Project Steering Committee and dedicated project team. The project team members should include financial, technical, operational and legal skills to reflect the breadth of skills brought to the project by a private sector consortium and should have clear lines of accountability and quality of resources applied to the project team. Figure 4.1 outlines a typical project management structure.

In NSW, the composition of the Steering Committee will include the procuring agency, an experienced officer from NSW Treasury and any representatives from other agencies or independent advisers as jointly approved by Treasury and the procuring agency or by Cabinet.

Figure 4.1



### 4.1.3 PROBITY REQUIREMENTS

The NSW Government is committed to efficiency, fairness, impartiality and integrity in all its dealings. Probity is an important issue for Government as custodian of the community's assets. Probity management is an integral part of the procurement process as PPP transactions can involve lengthy and complex tender process.

As part of ensuring public and bidder confidence in the process, all PPPs in NSW must have:

- a **comprehensive probity plan** – a probity plan that helps foster a probity culture and clearly defines the proper process
- an **appointed probity auditor** – providing an independent assessment and/or ongoing advice throughout the tender process.

All PPPs must also comply with NSW Government's Code of Practice for Procurement<sup>11</sup>. The Code establishes ethical principles and standards of behaviour for all parties involved and will apply to all procurement actions from calling for EOIs through to project completion.

To ensure that the participation of related companies in a tender does not impact on the probity, competitiveness or cost of a project, the companies may be required to sign a probity process deed.

The NSW Government has established independent review mechanisms for complaints about tendering with Government agencies to maximise community and business confidence in the NSW Government's tendering practices. The Independent Commission Against Corruption may examine complaints about potentially corrupt conduct in the procurement process.

### 4.1.4 PRELIMINARY PUBLIC SECTOR COMPARATOR

PSCs are the main quantitative benchmark for testing value for money of PPP bids received during the procurement process. The preliminary PSC is developed before issuing an EOI, to quantify the contract value of the PPP project. The PSC will be refined as details of the project scope are defined and should be fully updated before accepting responses from RFP submissions. The development of the PSC is detailed in section 4.3.3 of these Guidelines and Volume 4 of the *National Guidelines*.

### 4.1.5 BUDGET, ACCOUNTING TREATMENT AND TAXATION MATTERS

#### Accounting

Agencies must prepare a statement of accounting treatment to assess the balance sheet, income statement and cash flow impacts of a PPP project. This statement should also include the estimated full contingent exposure to Government, including:

- the termination liability, in the case of private party default or voluntary termination; and
- the sum of any individual actual or contingent liabilities under specific clauses of the project delivery contract, combined with the probability of each outcome.

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<sup>11</sup> Further details are provided in <http://www.treasury.nsw.gov.au/procurement/procure-intro.htm>.

Agencies should refer to the relevant accounting standards and Treasury's Accounting Policy for Privately Financed Projects.<sup>12</sup> Where reliance is placed on professional accounting opinions, copies of these should be attached to the statement.

The Budget and Financial Management Directorate of NSW Treasury is responsible for accounting policy guidelines. Agencies should consult with Treasury to agree on the most appropriate accounting treatment for each individual PPP transaction.

### **Taxation**

PPPs are taxed at the national, state and local government levels. However, Commonwealth taxation legislation, particularly Income Tax legislation, is generally the most significant cost to the private parties involved in or considering infrastructure projects under PPP arrangements.

Depending on the degree to which Government (a tax-exempt entity) is deemed to have assumed commercial risk and control, Commonwealth taxation legislation may adversely affect PPPs. Tax risk is the responsibility of the private party, and NSW Government will not assume or underwrite risk associated with the denial of tax deductions, or of any other aspect of tax law.

For those tax risks that can threaten the viability of a project, NSW Government agencies may require the private party to obtain a binding ruling from the ATO as a condition precedent to the contract becoming effective.

## **4.2. EXPRESSION OF INTEREST PHASE**

Consistent with the *National Guidelines*, the EOI phase is the first step of the formal bidding process. The purpose of the EOI phase is to allow government to shortlist the number of private parties that are required to submit detailed proposals and ensure that the transaction costs to all bidders are minimised. Consistent with Table 3.2, NSW specific documentation is required to be updated and the Auditor General should be advised of the expected contractual arrangement and accounting treatment for the PPP project, prior to commencing the RFP tender phase.

## **4.3. REQUEST FOR PROPOSALS PHASE**

The RFP phase involves the call for detailed proposals from shortlisted bidders and the evaluation of submissions to select a preferred bidder. The process set out in Volume 3 and 7 of the *National Guidelines* should be followed for commercial principles underpinning the draft contract. Where the *National Guidelines* provide flexibility, or where departures are warranted, such variations of the commercial principles need to be approved by NSW Treasury.

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<sup>12</sup> See Treasury Policy and Guidelines Paper TPP06-8 *Accounting Policy – Accounting for Privately Financed Projects*



### **4.3.1 SUBMISSION REQUIREMENTS**

Generally, the RFP documentation will identify the parameters and requirements of the RFP submission to which the private sector must conform to be deemed a complying proposal. Requirements may be mandatory (i.e. no variations will be allowed) or may allow departures to be considered and will still result in the bid being considered as a complying proposal.

The treatment of non-complying proposals will be assessed on a case-by-case basis by the project's Evaluation Panel, consistent with the RFP requirements.

### **4.3.2 INTERACTIVE TENDER PROCESS**

An interactive tender process generally involves the procuring agency holding a series of individual workshops with shortlisted bidders, usually during the RFP 'bid' phase, and in accordance with the probity framework.

This process provides shortlisted bidders with an opportunity to discuss the development of their concepts and designs and to seek clarification and feedback in the context of the Government's output requirements, before lodgement of bids.

The interactive tender process should also include a planning workshop with each short-listed bidder and the Department of Planning and Infrastructure, so that bidders have opportunity to discuss the development approval process and any conditions that have been or are likely to be set.

The objective is to improve the quality of bid submissions, minimise overall transaction costs and ultimately deliver better outcomes for the public, through clear communication of the Government's requirements. The RFP should specify the procedures, timetable and protocols for the interactive tender process.

### **4.3.3 FULLY SCOPED PUBLIC SECTOR COMPARATOR AND EVALUATING PPP BIDS**

A PSC is an estimate of the net present value (NPV) of a project's whole of life costs and revenues using the most efficient and likely form of Government delivery. The PSC must be fully updated prior to the Government receiving detailed proposals from the shortlisted bidders. It is the main quantitative tool in determining whether a PPP Bid is value for money. However, the PSC is a dynamic tool. It may need to be updated for comparison with final bids, subject to certain constraints<sup>13</sup>.

The construction of a PSC requires a high level of technical expertise in project costing, financing and risk analysis. NSW Treasury is responsible for advising on the development of PSCs and will assist agencies with advice on technical issues, including the discount rate (also see Volumes 4 and 5 of the *National Guidelines*) to be used in comparing PPP Bids to the PSC.

Where an agency wishes to deviate from the methodology in the *National Guidelines* and determine a specific discount rate based on current market data, NSW Treasury must approve the discount rates used.

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<sup>13</sup> See NSW Treasury for guidance on when it is appropriate to update PSC after the receipt of RFP submissions.

The PSC is a quantitative benchmark with inherent limitations as forecasts span the life of the proposed contract period. Estimating the impact of risks on costs and revenue is complex and often subjective. To maintain its usefulness as a tool, the PSC will be:

- accompanied by qualitative considerations in determining the potential value for money of a private finance arrangement;
- subject to sensitivity testing and scenario analysis; and
- sufficiently flexible to allow new information to be incorporated as it comes to light.

The PSC should be developed on a basis that is consistent with the nature of the proposed project. The calculation of the PSC varies for economic and social infrastructure projects, with key differences outlined below.

Government also recognises that individual projects may have characteristics of both economic and social infrastructure projects. Such projects will need to be considered on a project specific basis with reference to Volumes 3 and 7 of the *National Guidelines*.

### **PSCs for Social Infrastructure**

PSCs for social infrastructure are calculated as the estimated NPV of a project's cash flows based on traditional infrastructure procurement and whole-of-life operational and maintenance costs. This is because revenue derived from social infrastructure is primarily (if not completely) sourced from Government, through availability based payment mechanisms. The PSC for social infrastructure projects are cost-driven, and Government generally retains most, if not all, of the demand risk.

The cash flows for social infrastructure in the PSC will include three core components:

- the base costs of delivering the services specified in the project brief based on traditional delivery through a general government agency;
- a competitive neutrality adjustment (if applicable), covering any expenditure-based State and Local Government taxes, fees and charges that the agency is not required to make by virtue of its Government-owned status; and
- an estimate of the expected cost of risks that could potentially crystallise over the life of the project. The PSC should be able to distinguish between the expected cost of risks that would be retained by the Government and those that would be transferred to the private sector.

The *National Guidelines* outline the detailed methodology to determine the discount rates for the PSC and to evaluate PPP Bids for social infrastructure PPPs.

### **PSCs for Economic Infrastructure**

In developing a PSC for economic infrastructure projects, it is assumed that the most efficient government delivery method is using a special purpose vehicle, operating under the SOC Act and in accordance with NSW Government's Commercial Policy Framework.<sup>14</sup> This approach reflects the importance of revenue and the allocation of demand risk between the public and private parties in determining the financial outcomes of the project.

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<sup>14</sup> This framework seeks to replicate within Government businesses appropriate disciplines and incentives that lead private sector businesses towards efficient commercial practices. The framework includes financial performance monitoring, financial distributions, capital structure, guarantee fees, social programs and assessment of projects of State significance. Relevant policy documents are available from NSW Treasury at <http://www.treasury.nsw.gov.au>

PSCs for economic infrastructure projects will incorporate the following principles:

- competitive neutrality with the private sector through the payment of State and Commonwealth tax equivalents and other regulatory costs equivalent to those that would be faced by the private sector;
- a commercial capital structure, i.e. a level of debt and equity that optimises the value of the project while maintaining an investment-grade credit rating for the project's debt. Prudential constraints will be applied to the project's financial structure, including minimum debt service cover ratios and reserves for debt service;
- Government guarantee fee, reflecting the margin between the project's credit rating and the credit rating of the NSW Government a commercial level of return on the Government's equity investment in the project, reflecting the project and financial risks borne by equity throughout the project's life.

## **Disclosure of PSC**

The NSW Government will consider providing a summary of a PSC in tender documents where it will assist the private sector's bid preparation process and result in higher quality and better value bids to the Government. The results of the PSC will be made publicly available in the contract summary.

### **4.3.4 REIMBURSEMENT OF BID COSTS**

While processes outlined in these Guidelines endeavour to minimise the bid costs for the private sector, Government will not normally reimburse bidding costs.

In certain circumstances, consideration may be given to the full or partial reimbursement of bidders' reasonable bidding costs. Any reimbursement will be based on the quality and quantity of information supplied by the proponent(s). Where reimbursement is paid, the agency will retain the proprietary rights to the bidding material.

Any reimbursement will be at the sole discretion of the NSW Government with Cabinet approval, based on recommendations by NSW Treasury.

## **4.4. NEGOTIATION AND CONTRACT FINALISATION**

### **4.4.1 NEGOTIATION PARAMETERS**

Before seeking Cabinet approval to begin contract negotiations with one or more proponent, the agency together with NSW Treasury, must develop the 'negotiation parameters' schedule as per Appendix 3. Any departures from the Commercial Principles underpinning the RFP documentation should be explained.

This will inform Cabinet of the type of commercial deal the agency wants to pursue with the private sector. The terms and conditions submitted to Cabinet must outline the scope of the project and areas for final negotiations, as well as any conditions that must be satisfied for the Government to support the project.

## **4.5. POST CONTRACT EXECUTION**

### **4.5.1 CONTRACT MANAGEMENT**

After contract execution, management of the project will normally be transferred to an implementation team and ultimately to ongoing agency service delivery arrangements. For risk to be managed effectively after the contract becomes effective the foundations for contract management must be incorporated into the RFP and the draft contract provided to bidders, then maintained through further development and finalisation of the contract. In addition, the steering committee may need to increase its involvement in the last 2-3 years prior to contract expiry to oversee the handover of assets (if any) and transition procedures.

For many projects, it may be useful for the procurement steering committee to oversee the implementation of the project during the initial delivery phase (i.e. during construction and at least the first two years of operations). In NSW, Cabinet may also require regular progress reports for major projects so that it can monitor implementation. This will be determined on a case-by-case basis.

All PPP projects should compile a contract management plan and contract administration manual to assist the agency in managing the PPP contract during the life of the project, including end of contract procedures and asset handovers. Also see Appendix H, Volume 2 of the *National Guidelines*. These documents will need to be signed off by the CEO (or equivalent) of the procuring agency.

### **4.5.2 REFINANCING OF DEBT**

As per the *National Guidelines*, all re-financings other than those contemplated at financial close will require consent by Cabinet. In NSW the Treasurer (under the PAFA Act) is also required to provide consent for any re-financings not included in the base case financial model.

Where there are no contractual provisions otherwise, any re-financing gains are to be shared between government and the private party on a 50:50 basis provided the projected equity return at the time of the re-financing (taking into account any refinancing) is above that reflected in the original base case financial model.

In NSW, any proposed re-financing should not result in a debt balance, at any time between the date of the refinancing and the end of the concession, greater than the projected debt balances in the original base case financial model. The transaction costs related to future debt refinancing should be appropriately allocated in the original base case financial model.

### **4.5.3 CHANGE IN OWNERSHIP/CONTROL**

Consistent with volumes 3 and 7 of the *National Guidelines* (and where there are no contractual provisions otherwise), the private party must obtain Government consent prior to either any change in control, change in the legal or beneficial ownership of the private party; or any member of the private party's group, or to any change in the private party's group structure relative to the situation as at contract signing. Prior Government consent is not required for transfers to related bodies corporate and of listed shares and interests.

Government will not unreasonably withhold consent to the change in ownership or control. The procuring agency should consult with NSW Treasury to determine if Cabinet or Treasurer approval is required.

## 5. DISCLOSURE REQUIREMENTS AND PROJECT REVIEWS

### 5.1 GIPA ACT REQUIREMENTS

All NSW PPPs are subject to Ministerial Memorandum No.2007-01 *Public Disclosure of Information Arising from NSW Government Tenders and Contracts* (M2007-01) and the *Government Information (Public Access) Act 2009* (GIPA Act), which set out specific disclosure requirements arising from NSW Government tenders and contracts.

The complete contract (less confidential information) and the information listed in schedules 1&2 of M2007-01 must be disclosed publicly within 60 days of contract execution<sup>15</sup>. Any significant amendment(s) to the contract should also be disclosed within 60 days of the amendment(s) becoming effective.

### 5.2 TENDER RELEASE REQUIREMENTS

All agencies, other than SOCs, are required to make Request for Tender documents publicly available and tenders must be able to be lodged through the NSW Government eTendering system<sup>16</sup>. This system is managed by NSW Department of Finance and Services, through the Tenders NSW website (<http://tenders.nsw.gov.au>). It also provides a mechanism for the receipt of tenders in electronic form, closing tenders, receiving late tenders, opening the tenders, the removal of tenders, publishing a listing of tenderers, and publishing contract award information.

### 5.3 CONTRACT SUMMARIES FOR PPPS

In addition to the above public disclosure requirements, a contract summary should also be disclosed to NSW Parliament. The procuring agency must ensure that a contract summary is made available to the Auditor-General for audit within 45 days of the contract becoming effective (that is, within 45 days after all conditions precedents to the contract have been satisfied).

Within 90 days of receipt by the Auditor-General, the audited contract summary must be tabled in Parliament by the responsible Minister. In the case where Parliament is not sitting, the Clerk of the Legislative Assembly should receive the contract summary within 90 days of it being received by the Auditor-General with a view to it being tabled the first day that Parliament is next sitting.

After the summary has been tabled, the agency must advertise the availability of the contract summary in the Public Notices. Contract Summaries will also be placed on the NSW Treasury Website.

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<sup>15</sup> For further details see Division 5 Part 3 of the GIPA Act, which outlines specific disclosure requirements for PPPs, including a list of items that qualify as "Confidential Information."

<sup>16</sup> Refer to Premier's Memorandum 2006-11 *NSW Procurement Reforms*.

Any amendment(s) to the contract that change information contained in the previously published contract summary will need to undergo the same public disclosure requirements of:

- an updated contract summary provided to the Auditor-General for audit within 45 days of the amendment(s) becoming effective;
- the updated audited contract summary will then need to be tabled in Parliament by the responsible Minister within 90 days of receipt by the Auditor-General; and then
- advertise the availability of the updated contract summary in the Public Notices.

The contract summary will have two distinct parts:

- Background to the Project, including a summary of the rationale for the project, its value and the parties involved; and
- Elements of the Contract, which summaries the key commercial features of the project.

### **Background to the Project**

- History of the project and its characteristics including a statement as to the nature of the relationship(s) between the Government and other parties created by the contract(s). (For example, “The NSW Government is seeking to ....; Party A can provide....; Party B wishes to finance... Party C is prepared to underwrite...);
- Fully identify the private party and its sponsors, including details of cross ownership of relevant companies;
- A list of the contract(s) with a statement of the nature and purpose of the contract(s), including a general description of the parties’ obligations (description of project to be completed or goods/services to be provided or property to be transferred);
- A general statement as to the nature of any material that has been excluded on the basis that it is subject to obligations of confidentiality or is ‘commercial in confidence’<sup>17</sup>;
- The results of cost-benefit analyses;
- The results of the PSC compared with the successful private sector proposal;
- The significant evaluation criteria and the weightings used in tender assessment, including that of the PSC;
- The risk sharing in the construction and operational phases of the project, quantified in net present value terms (where possible) and specifying the major assumptions involved;
- Activities of the State and the contractor during the construction period; who is responsible for environmental, heritage, site risks, etc; staging and payment arrangements; site access, responsibility for completion and commissioning, etc.;
- A statement of the actual liabilities of the Crown; a statement of any indemnities and/or guarantees given by the Crown; and
- A summary of the Public Interest Evaluation.

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<sup>17</sup> See the Ministerial Memorandum 2007-01 and Part 3 of the GIPA Act for the list of items that qualify as ‘Confidential Information’.

## Elements of the contract

- The commencement date of the contract; the term of the contract including the ability to extend the term and at whose option. This information would include details of future transfers of assets of significant value to Government at no or minimal cost, and details of the right to receive the asset as well as when this might occur;
- Description of change control provisions (i.e. what happens if ownership of a party changes);
- Service delivery (including maintenance) and quality requirements in terms suited to the non-technical reader. Performance measurement may be linked to an agreed set of standards or key performance indicators, which will generally relate to the quality, amount and frequency of service provision;
- What and when assets are to be transferred by the public sector to the contractor;
- Operation and/or maintenance provisions in the contract expressed in non-technical terms;
- The price to be paid by the public, and the basis for future changes in this price. This should include a statement setting out the basis on which price is computed or projected;
- Provisions for renegotiation;
- Significant guarantees or undertakings between the parties. This would include loans entered into or agreed to be entered into;
- A statement that the Auditor-General's ability to carry out the audit function under the *Public Finance and Audit Act 1983* has not been diminished by the contract(s) by, for example, removing or limiting access to records, information, etc. that should otherwise be available;
- A description of the events of default;
- A description of termination rights (including for convenience, for default and any other grounds of termination);
- A statement as to contractual remedies available to the Government in respect of breach or losses otherwise caused by the other party or parties, and remedies against the Government in any circumstances;
- A description of exit/disengagement arrangements, including the basis for calculating the cost of disengagement;
- A description of the situations in which the Government may exercise its contractual right to step-in (i.e. assume all or some of the service delivery obligations of the private party for a period of time);
- A description of any pre-determined dispute resolution process;
- A description as to how insurance proceeds are to be used in the event they are called upon (e.g. reinstatement of the asset, payment to the financiers); and
- Any other key elements of the contractual arrangements if they have not been covered above.

## 5.4 POST IMPLEMENTATION REVIEWS

A Post-Implementation Review (PIR) should be undertaken jointly by the procuring agency and NSW Treasury for all PPPs. PIR is a comprehensive feedback mechanism designed to assess project outcomes, collecting and utilising knowledge learned throughout a project to optimise the delivery and outputs of future projects.

The PIR of the project development, procurement process, initial contract execution and implementation should generally be initiated twelve months after operations have commenced, although it may be undertaken earlier. The PIR should specifically review:

- project formulation, objectives and appropriateness of project scope;
- design performance, including effectiveness of risk exposure/risk sharing;
- approval process;
- project delivery, including delivery time and budget performance;
- project operations, including service delivery and financing;
- project management/procedures;
- functional competence of infrastructure, including networking and interfacing;
- industry, community and environmental management, including industrial relations;
- any non-competitive tender process through unsolicited proposal or direct negotiation (if applicable) (see section 3.6).

Any deviations from these Guidelines should clearly be identified and justified in the PIR.

Service delivery performance and contractual compliance will also be reviewed regularly throughout the life of the contract by the responsible agency and, at least initially, by the Steering Committee.



## ACRONYMS

<b>BAFO</b>	Best and Final Offer
<b>CEO</b>	Chief Executive Officer
<b>CIC</b>	Cabinet Infrastructure Committee
<b>EOI</b>	Expression of Interest
<b>EP&amp;A Act</b>	<i>Environmental Planning and Assessment Act 1979</i>
<b>ERC</b>	Expenditure Review Committee of Cabinet
<b>GIPA Act</b>	<i>Government Information (Public Access) Act 2009</i>
<b>NPV</b>	Net Present Value
<b>PAFA</b>	<i>Public Authorities (Financial Arrangements) Act 1987</i>
<b>PIR</b>	Post Implementation Review
<b>PPP</b>	Public Private Partnership
<b>PSC</b>	Public Sector Comparator
<b>RFP</b>	Request for Proposals
<b>SOC Act</b>	<i>State Owned Corporations Act 1989</i>
<b>SOC</b>	State Owned Corporation
<b>TAM</b>	Total Asset Management

## GLOSSARY

TERM	MEANING
Bidder	A respondent to an EOI request or an invitation to submit a bid in response to a RFP. Typically a bidder will be a consortium of parties, each responsible for a specific element, such as constructing the infrastructure, supplying the equipment, or operating the business.
Business Case	The document that articulates the rationale for undertaking an investment. In NSW, the business case should be prepared in accordance with Treasury Policy and Guidelines Paper TPP08-5 <i>Guidelines for Capital Business Cases</i> .
Capital	A generic term for an asset. Capital sometimes refers to financial investments and at other times to physical capital, such as land and buildings, earthworks, machinery and vehicles.
Condition Precedent	Certain conditions that are required to be satisfied prior to the majority of the project agreement becoming effective.
Consortium	Those private party persons who together intend to deliver a PPP.
Contract Summary	The document that is submitted to parliament and released to the public following the contract becoming effective that sets out the key aspects of the project, including contract terms.
Control	For the purpose of section 4.5.3 of these Guidelines, the ability or capacity to determine the outcome of decisions about the relevant entity's financial and operating procedures.
Discount Rate	The rate used to calculate the present value of future cash flows, usually determined on the basis of the cost of capital used to fund the investment from which the cash flow is expected.
Economic Infrastructure PPP	Infrastructure where the private party derives revenue from third parties (e.g. user charges) and therefore takes on the demand risk. Typical examples of economic infrastructure are networks of roads and telecommunications facilities, airports, ports, water storage and sewerage, railways, electric power generation and distribution facilities.
Expression of Interest or EOI	The tender phase used to shortlist bidders to proceed to submit more detailed proposals.
Financial Close	The date of satisfaction of the last Condition Precedent is known as Financial Close. A contract only becomes completely effective at financial close.
Intellectual Property	Inventions, original designs and practical applications of good ideas protected by statute law through copyright, patents, registered designs, circuit layout rights and trademarks; also trade secrets, proprietary know-how and other confidential information protected against unlawful disclosure by common law and through additional contractual obligations such as Confidentiality Agreements.
Interactive Tender Process	The process of conducting workshops and consultations with shortlisted bidders and the project team, generally during the RFP phase.
National Guidelines	The suite of guidance (Policy Overview and Volumes of Detailed Guidance) that form the national guidance on PPPs. See: <a href="http://www.infrastructureaustralia.gov.au/public_private/">http://www.infrastructureaustralia.gov.au/public_private/</a>
Preferred Bidder	A shortlisted bidder selected following the RFP evaluation to proceed to the negotiation and completion phase.

<b>TERM</b>	<b>MEANING</b>
Probity	Uprightness, honesty, proper and ethical conduct and propriety in dealings.
Probity Auditor	An independent expert retained to monitor the procurement process at critical stages, assessing and reporting whether the process has been conducted to the required standards of probity.
Procuring Agency	The Government agency that is responsible for delivering the project on behalf of Government.
Project Director	The person with overall responsibility for delivery of the project and management of all members of the project team.
Project Steering Committee	The committee of departmental/agency representatives, including NSW Treasury, established by the procuring agency to direct the development of the PPP project and deal with key issues.
Project Team	The group of specialists and departmental/agency representatives, established by the procuring agency, that is responsible for assisting the Project Director to deliver the project (including developing project documentation and undertaking evaluation processes).
Public Sector Comparator or PSC	A PSC is an estimate of the net present value of a project's whole of life costs and revenues using the most efficient and likely form of Government delivery.
Reference Project	The basis for calculating the PSC, reflecting Government delivery of the project by traditional means.
Request for Proposal or RFP	The tender phase involving the release of the RFP to shortlisted bidders for detailed, fully costed RFP responses, followed by evaluation and selection of the preferred bidder.
Retained risk	The value of those risks or parts of a risk that Government bears under a PPP project.
Risk Allocation	The allocation of responsibility for dealing with the consequences for each risk to one of the parties to the contract; or alternatively, agreeing to deal with a particular risk through a specified mechanism which may involve sharing that risk.
Shortlisted Bidder	Bidders selected as part of the EOI evaluation to be invited to submit a proposal in response to an RFP issued by Government for a project.
Social Infrastructure PPP	Social infrastructure projects are PPPs where the government pays the private party a service fee for the availability of a facility/social infrastructure. Examples of social infrastructure include hospitals, schools, police stations, prisons, and transport projects involving availability-style PPP.
Special Purpose Vehicle (SPV)	The SPV is an entity created to act as the legal manifestation of a project consortium. In establishing a project consortium, the sponsor or sponsors typically established the private party in the form of a SPV which contracts with Government.
Steering Committee	See <i>Project Steering Committee</i>
Tender Process	The process of inviting the market to submit bids against a particular project and includes the EOI, RFP and negotiation phases.
Traditional Procurement	The delivery of the infrastructure and associated services by Government using other procurement processes such as design and construct, and design, build and operate.
Whole-of-life	The integration of up-front design and construction with ongoing maintenance and refurbishment elements over the life of the asset or concession term under the PPP arrangement.

## APPENDIX 1: PUBLIC INTEREST EVALUATION

The Public Interest Evaluation should be assessed as part of the Procurement Strategy phase (see Figure 3.1 and Table 3.2) to ensure that PPP procurement is in the public interest. The Public Interest Evaluation should be updated throughout the procurement process to ensure that the PPP delivery method continues to be in the public interest.

The Public Interest Evaluation will assess the PPP project for the following public interest attributes:

<p><b>1. Effective in Meeting Government's Objectives</b></p>	<p>The PPP project should be consistent with:</p> <ul style="list-style-type: none"> <li>• the procuring agency's budget, service objectives and delivery strategy;</li> <li>• Government's short and long term policy objectives;</li> <li>• employment and environmental legislation and Government policies;</li> <li>• concurrent government initiatives/projects (potential for extra benefits/synergies or detriment/conflicts); and</li> <li>• economic and regional development in the area concerned, including investment and employment growth.</li> </ul>
<p><b>2. Achieves Better Value for Money</b></p>	<ul style="list-style-type: none"> <li>• Does PPP procurement offer better value for money than the best practicable public sector delivery model?</li> <li>• Is the level of the user charge paid by the public appropriate and related to the benefits to be received by the user under the project? (if applicable)</li> <li>• Is the level of contribution by taxpayers reasonable? (if applicable)</li> </ul>
<p><b>3. Community Consultation</b></p>	<ul style="list-style-type: none"> <li>• Identify individuals/groups (e.g. employees, unions, community groups and local councils) likely to be affected by the project.</li> <li>• Assess the likely impact of the project on those individuals likely to be affected by the project, including the likely social, economic, employment and environmental issues which may arise.</li> <li>• Develop a community consultation process which:             <ul style="list-style-type: none"> <li>- ensures participation by the affected individuals/groups during the EOI and short listing process;</li> <li>- in the case of large, complex or controversial projects, ensures the participation of the affected individuals/groups after contract signing, during consultation and during the commissioning of the project; and</li> <li>- complies with the legal requirements, broader Government policy standards.</li> </ul> </li> <li>• How have issues raised by the community as part of any community consultation processes been addressed or how will they be addressed?</li> </ul>

<b>4. Consumer Rights</b>	<ul style="list-style-type: none"> <li>• Ensure compliance with relevant consumer rights legislation and Government policies.</li> <li>• Ensure the PPP project provide sufficient safeguards for service recipients, particularly those for whom Government has a high level of duty of care, and/or the most vulnerable including special needs and rights.</li> <li>• Assess whether identified special needs and rights are met by the project and if not what provisions and mechanisms can be introduced to address those deficiencies.</li> </ul>
<b>5. Accountability and Transparency</b>	<ul style="list-style-type: none"> <li>• Are the project processes transparent and do they allow the community to be appropriately informed about the key elements of the project?</li> <li>• Does the project management structure demonstrate clear responsibility and accountability for project reporting?</li> <li>• Is there, or will there be, a comprehensive probity plan and are there measures to ensure transparency of process?</li> </ul>
<b>6. Public Access</b>	<ul style="list-style-type: none"> <li>• Are there adequate arrangements to ensure that the public, including disadvantaged groups, can access and use the Government service(s) and related infrastructure? This should include: <ul style="list-style-type: none"> <li>- clearly identifying the nature and extent of public access needed;</li> <li>- developing project plans to meet these needs; and</li> <li>- protecting third party access to essential infrastructure and services.</li> </ul> </li> <li>• To the extent that the project cannot protect the identified public access needs, what provisions or mechanisms can be used to address these deficiencies?</li> <li>• Do the proposed infrastructure and service specifications comply with relevant public use and access legislation and Government policies?</li> </ul>
<b>7. Health and Safety</b>	<ul style="list-style-type: none"> <li>• Clearly identify all public health and safety standards as per legislation, Government policies or from Government's political public accountability.</li> <li>• Does the project contain sufficient mechanisms to ensure that the project achieves the identified public health and safety standards?</li> <li>• To the extent that the project does not achieve some of the identified public health and safety standards, what provisions or mechanisms does the agency propose to address this deficiency?</li> </ul>
<b>8. Privacy</b>	<ul style="list-style-type: none"> <li>• Clearly identify user rights to privacy as per legislation and Government policies.</li> <li>• Does the project contain sufficient mechanisms to ensure that the identified rights to privacy are protected?</li> <li>• To the extent that the project does not protect all of the identified rights to privacy, what provisions or mechanisms does the agency propose to address this deficiency?</li> </ul>

## APPENDIX 2: FISCAL IMPACT ANALYSIS

The Fiscal Impact Analysis should be completed during the project development phase and estimates the impact of the PPP project on Government costs and revenues, including contingent obligations. The Fiscal Impact Analysis is to form part of the submission to Cabinet, in addition to the mandatory Financial Impact Statement.

All financial data is to be presented in nominal values

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### PROJECT DESCRIPTION

Duration of Contract

Pricing Policy

**Total Funding Required** \$M

Construction Cost

Financing Costs during Construction

Other (*including value of assets dedicated to project, e.g. land*)

Total Funding Required

**Sources of Funds** \$M

Private Sector Equity

Project Debt

Public Sector Contributions

Agency Funds

State Budget

Public Sector Loans

Other

Total Funding Required

### Government Contingent Obligations

*Description of any Government contingent obligations, guarantees, or underwriting proposed, including an assessment of the monetary value of Government contingent obligations (\$M)*

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### Methodology Used

*Provide a clear description of the assumptions and methodology (including scope) used in the analysis. Any changes to the methodology and its underlying assumptions during the procurement process should be justified and agreed with NSW Treasury and the Project's Steering Committee.*

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**IMPACT ON PROCURING AGENCY**

	Total	
Per Annum		
	\$M	\$M

**Balance Sheet**

Assets		
Liabilities		
Total		

**Operating Statement**

Expenses		
Revenues		
Total		

**Residual Assets**

*Description of any residual assets to be transferred to the procuring agency at contract expiry.*

Estimate of asset value	(\$M)	
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**IMPACT ON OTHER AGENCIES**

*Description of impact on other agencies*

	Total	
Per Annum		
	\$M	\$M

**Financial Impact for each affected agency:**

Balance Sheet		
Assets		
Liabilities		
Total		
Operating Statement		
Expenses		
Revenues		
Total		

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**STATE BUDGET IMPACT**

	Total	
Per Annum		
	\$M	\$M

**Capital Budget**

Outlays		
Receipts		
Total		

**Recurrent Budgets**

Outlays		
Receipts		
Total		

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## APPENDIX 3: NEGOTIATION PARAMETERS

The procuring agency together with NSW Treasury must jointly develop project specific negotiation parameters containing, at a minimum, the following:

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### AGENCY

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#### PRIVATE CONSORTIUM

*Parent Company and Special Purpose Vehicle*

#### PRIVATE SECTOR BANKERS

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### PROJECT SCOPE

*A full description of the proposed project*

### PROJECT COSTS

\$M (Nominal)

Land Cost

Construction Cost

Capitalised Interest

Financed by:

Government Contribution

Private Sector Equity

Private Sector Debt (List Sources)

Operation and Maintenance Costs

*Description of operational costs and revenues*

### TERM

Construction Period

Debt Finance Term

Contract Term

Proposed Completion Date

Project Construction Contract

Equity Investor Commitment

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### OTHER CONTRACTUAL TERMS OR RISK ALLOCATION AS APPROPRIATE FOR THE PROJECT

*Provide details*

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## CONTACT DETAILS

### NSW Treasury

Infrastructure Financing Unit  
Level 26, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000  
Telephone: (02) 9228 4422  
Facsimile: (02) 9228 5748  
Email: [ppp@treasury.nsw.gov.au](mailto:ppp@treasury.nsw.gov.au)  
Website: [www.treasury.nsw.gov.au/ppp](http://www.treasury.nsw.gov.au/ppp)