

PROJECT AGREEMENT FOR THE REDEVELOPMENT OF THE ROYAL HOBART HOSPITAL

An agreement between:

- n the Commonwealth of Australia; and
- n Tasmania.

The output of this project will be the redevelopment of the Royal Hobart Hospital

Project Agreement for the Redevelopment of the Royal Hobart Hospital

INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

OVERVIEW

1. This Project Agreement (the Agreement) is created subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) and should be read in conjunction with that Agreement and its Schedules, which provide information in relation to performance reporting and payment arrangements under the IGA FFR.

Purpose

2. This Agreement will support the delivery of improved and efficient health care services to all of Tasmania through the redevelopment of the Royal Hobart Hospital.
3. This Agreement is related to the Implementation Plan for Commonwealth Contribution to the construction of the Women's and Children's Hospital in Hobart under the National Partnership Agreement on Health Infrastructure.
4. This Agreement replaces the previous Project Agreement for the Redevelopment of the Royal Hobart Hospital of 5 August 2013.

Reporting Arrangements

5. Tasmania will provide bi-annual Project Performance Reports against the agreed Project Plan of this Agreement, as set out in Part 4 – Project Milestones, Reporting and Payments.

Financial Arrangements

6. The Commonwealth will provide an estimated total financial contribution to Tasmania of \$240.0 million, exclusive of GST, in respect of this Agreement, as set out in Part 5 – Financial Arrangements.

PART 1 – FORMALITIES

7. This Agreement constitutes the entire agreement for this project.

Parties to this Agreement

8. This Agreement is between the Commonwealth of Australia (the Commonwealth) and the State of Tasmania (Tasmania).

Term of the Agreement

9. This Agreement will commence as soon as the Commonwealth and Tasmania sign it and will expire on 30 June 2020 or on completion of the project, including final performance reporting and processing of final payments against milestones, unless terminated earlier or extended as agreed in writing by the Parties.

PART 2 – PROJECT OUTPUTS

Outputs

10. The outputs for the redevelopment of the Royal Hobart Hospital will be:
 - (a) a minimum of 50,000 m² of floor area (comprising 38,000m² of new build and a minimum of 12,000m² refurbished space that is in addition to any temporary floor space);
 - (b) a Women's and Children's Precinct, with a dedicated adolescent ward, including capacity for adolescent mental health patients;
 - (c) a minimum of 195 new overnight, on-campus beds (increasing capacity from 371 to at least 566 beds);
 - (d) 7 additional operating and procedure rooms (increasing from 16 to 23);
 - (e) a surgical intervention and diagnostics area;
 - (f) an Assessment and Planning Unit adjacent to the Department of Emergency Medicine;
 - (g) a 23 hour unit for patients that require a maximum of one overnight stay;
 - (h) a Patient Transit Lounge;
 - (i) a helipad (to be funded from Tasmania's own source funding);
 - (j) replacement of the hyperbaric chamber (to be funded from Tasmania's own source funding);
 - (k) provision of infrastructure and engineering services that meet current building code standards and have the capability to cope with growth of emergency; and
 - (l) a design and layout for flexible utilisation of beds and co-location of functional services.

PART 3 – ROLES AND RESPONSIBILITIES

Role of the Commonwealth

11. The Commonwealth will be responsible for:
 - (a) monitoring and assessing achievement against milestones in the delivery of the redevelopment of the Royal Hobart Hospital under this Agreement, and in accordance with the project milestones specified in the Project Plan, to ensure that outputs are delivered within the agreed timeframe;
 - (b) providing a consequent financial contribution to Tasmania to support the implementation of this Agreement;
 - (c) in accordance with the *Building and Construction Industry (Improving Productivity) Act 2016*, ensuring that financial contributions to a building project or projects as defined under the Fair Work (Building Industry – Accreditation Scheme) Regulations 2016, are only made where a builder or builders accredited under the Australian Government Building and Construction WHS Accreditation Scheme is contracted; and
 - (d) ensuring that compliance with the Code for the Tendering and Performance of Building Work 2016 (Building Code 2016) is a condition of Australian Government funding.

Role of Tasmania

12. Tasmania will be responsible for:
 - (a) providing a financial contribution to support the implementation of this Agreement;
 - (b) developing and providing a Project Plan to the Commonwealth in accordance with clauses 15 to 17 of this Agreement;
 - (c) all aspects of delivering on the project outputs set out in this Agreement;
 - (d) ensuring that only a builder or builders accredited under the Australian Government Building and Construction WHS Accreditation Scheme is contracted, and providing the necessary assurances to the Commonwealth;
 - (e) ensuring that compliance with the Building Code 2016 is made a condition of tender for and performance of building work by all contractors and subcontractors, and providing the necessary assurances to the Commonwealth; and
 - (f) reporting on the delivery of outputs as set out in Part 4 – Project Milestones, Reporting and Payments.
13. Tasmania will also be responsible for ensuring that, for the purposes of the practical completion of a milestone, the project will:
 - (a) be complete and free from defects or omissions, except for defects or omissions that are minor in nature which do not prevent it from being capable of being used for its intended purpose;
 - (b) not cause any legal or physical impediment to the use and occupation of the property and the works for the designated use; and
 - (c) be fit for the designated use.

Shared roles

14. Both Parties will meet the requirements of Schedule E, Clause 26 of the Intergovernmental Agreement on Federal Financial Relations, by ensuring that prior agreement is reached on the nature and content of any events, announcements, promotional material or publicity relating to activities under this Agreement, and that the roles of both Parties will be acknowledged and recognised appropriately.

Project Plan

15. A Project Plan is required for this Agreement. It will be agreed by senior Commonwealth and State officials and submitted to the Commonwealth Department of Health.
16. Project Plans typically include details on scope, project schedule, budget, project stakeholders, governance arrangements, communication plan, high level design plans and a risk management plan. Tasmania has the flexibility to determine how to meet this requirement and can make use of any existing information or document prepared for another purpose.
17. Project Plans are flexible documents that may be varied over time to accommodate changed circumstances. However, variations to the Project Plan that directly affect payment milestones and their achievement are subject to written agreement between senior Commonwealth and Tasmanian officials.

PART 4 – PROJECT MILESTONES, REPORTING AND PAYMENTS

18. The following table summarises the milestones for the project, their relationship to the outputs, expected completion dates, relevant reporting dates and expected payments to be made, once a report certifying that milestones have been met is received and accepted.

Table 1: Payment milestones, reporting and payment summary

Output	Milestones	Date Due	Relevant bi-annual report due 10 th Business day of	Payment
Redevelopment of the Royal Hobart Hospital – consistent with the outputs at clause 10	Establishment costs	N/A	N/A	\$170.0m*
	Provision and acceptance by the Commonwealth of a Project Plan identifying the construction timeframes, significant construction milestones and estimated project completion dates	N/A	14 Oct 2011	\$5.0m*
	Completion of the EOI for appointing a Managing Contractor and commencement of the formal tender process	N/A	13 April 2012	\$15.0m*
	Practical Completion of first new day oncology chairs to enable the Integrated Cancer Centre and vacation of existing upper floor of B Block to proceed.	N/A	13 July 2012	N/A
	Acceptance by the Commonwealth of a revised Project Plan and Budget in accordance with clauses 15 to 17. Completion of demolition of B-Block	31 May 2017	Sept 2017	\$4.5 m

	Completion of Bulk Excavation and Batters	31 August 2017	September 2017	\$9.0m
	Completion of Floor Slab for 3 rd Floor of K-Block	28 February 2018	March 2018	\$9.0m
	Completion of Floor Slab for 7 th Floor of K-Block	31 July 2018	September 2018	\$7.5m
	Completion of Structure of K-Block	31 December 2018	March 2019	\$10.0m
	Practical Completion of K-Block	31 Aug 2019	September 2019	\$2.0m
	Acceptance of the Final Report by the Commonwealth, in accordance with clause 21.	90 days after Practical Completion of the project	N/A	\$8.0m

* Completed milestones paid under the previous agreements.

19. If a milestone is met in advance of the due date, where the relevant Project Performance Report or other evidence demonstrates that the milestone has been met, the Commonwealth may make the associated payment earlier than scheduled provided it falls within the same financial year as the original milestone date.

Reporting arrangements

20. Tasmania will provide bi-annual reports, in accordance with the template at Schedule A, that detail the scope, schedule, risk and cost of the project and compliance with relevant Commonwealth, State and local laws and regulations, with reference to the project outputs (Part 2), milestones (Part 4, Table 2) and Project Plan, due by the 10th business day of March and September each year during the operation of this Agreement
- These reports are required to be submitted via the Commonwealth Department of Health's Capital Works Reporting Online system; and
 - All bi-annual reports must be certified by the chair of the governing body as being a true and accurate representation of the progress of the project for the relevant reporting period.
21. Tasmania will also prepare a Final Project Report within 90 days on the completion of the project agreed under the Project Agreement. The Project Report will be a stand-alone document that can be used for public information dissemination purposes. The final Project Report will:

- (a) describe the conduct, benefits and outcomes of the Project;
- (b) evaluate the Project from the responsible Party's perspective, including assessing the extent to which the project milestones in this Agreement and the Project Plan have been achieved and why any aspect was not achieved; and
- (c) include a discussion of any other matters relating to the project, limited to the minimum necessary for the effective assessment of performance, which the Commonwealth notifies Tasmania should be included in the final Project Report at least 60 days before it is due.

PART 5 – FINANCIAL ARRANGEMENTS

- 22. The Commonwealth will provide a total financial contribution to Tasmania of \$240.0 million in respect of this Agreement and the Project Plan. All payments are GST exclusive.
- 23. The Commonwealth's funding contribution will not be reduced where Tasmania secures funding from other activity partners.
- 24. The Commonwealth's estimated financial contribution to the operation of this Agreement, including through National Partnership payments to Tasmania paid in accordance with *Schedule D – Payment Arrangements* of the Intergovernmental Agreement on Federal Financial Relations, are shown in Table 2.

Table 2: Estimated financial contributions

(\$ million)	2010-11	2011-12	2012-13 to 2015-16	2016-17	2017-18	2018-19	2019-20	Total
Estimated total budget	270.0	20.0	0	42.0	229.0	118.0	10.0	689.0
Less estimated National Partnership Payments	170.0	20.0	0	4.5	18.0	17.5	10.0	240.0 ^(a)
Previous Commonwealth Contribution ^(b)	100.0	n/a	n/a	n/a	n/a	n/a	n/a	100.0
Balance of non-Commonwealth Contributions ^(c)	0.0	0.0	0.0	37.5	211.0	100.5	0.0	349.0

^(a) Excludes Commonwealth funding of \$8.4 million from 2011 to 2013 for the Phase 2 of the Royal Hobart Hospital Redevelopment under the HHF Round 2 Tasmanian Cancer Care.

^(b) Previous Commonwealth contribution under the National Partnership Agreement on Health Infrastructure's Implementation Plan for the Construction of the Women's and Children's Hospital in Hobart.

^(c) Includes Tasmania's own source funding for a helipad (\$10.5 million) and replacement of the hyperbaric chamber (\$12 million).

- 25. Having regard to the agreed estimated costs of the project specified in this Agreement, Tasmania will not be required to pay a refund to the Commonwealth if the actual cost of the project is less than the agreed estimated cost of the project. Similarly, Tasmania bears all risk should the costs of a project exceed the agreed estimated costs. The Parties acknowledge that

this arrangement provides the maximum incentive for Tasmania to deliver the project cost effectively and efficiently.

PART 6 – GOVERNANCE ARRANGEMENTS

Enforceability of the Agreement

26. The Parties do not intend any of the provisions of this Agreement to be legally enforceable. However, that does not lessen the Parties' commitment to this Agreement.

Variation of the Agreement

27. The Agreement may be amended at any time by agreement in writing by all the Parties.
28. Either Party to the Agreement may terminate their participation in the Agreement at any time by notifying the other Party in writing.

Delegations

29. The Commonwealth Minister may delegate the assessment of performance against milestones and the authorisation of related project payments to senior Commonwealth officials, having regard to the financial and policy risks associated with those payments.

Dispute resolution

30. Either Party may give notice to the other Party of a dispute under this Agreement.
31. Officials of both Parties will attempt to resolve any dispute in the first instance.
32. If a dispute cannot be resolved by officials, it may be escalated to the relevant Ministers.

The Parties have confirmed their commitment to this Agreement as follows:


**Signed for and on behalf of the
Commonwealth of Australia by**



The Honourable Greg Hunt MP
Minister for Health
Minister for Sport

23/5/17

**Signed for and on behalf of the
State of Tasmania by**



The Honourable Michael Ferguson MP
Minister for Health

16/6/17

Schedule A

Performance Report

Project Status Report:

Project Status Report

Report Month:

Submission Status:

Submission Date: xx/xx/20xx

Current Forecast Completion Date: xx/xx/20xx

Actual Date of Project Completion: xx/xx/20xx

Current Project Stage:

Key Activity Undertaken Since Previous Report:

Significant achievements in next 6 months:

Progress Status

Schedule: Green/Amber/Red

Cost: Green/Amber/Red

Compliance: Green/Amber/Red

Scope: Green/Amber/Red

Slippage Comments:

Corrective Action Taken:

Risk: Green/Amber/Red

Milestones

Name	(%) Completion	Completion Date			
		Original	Current	Forecast	Actual
Demolition of B-Block Building Structure Acceptance by the Commonwealth of a revised Project Plan and Budget in accordance with clauses 15 to 17		31 May 2017	31 May 2017		
Completion of Bulk Excavation and Batters		31 August 2017	31 August 2017		
Floor Slab for 3 rd Floor of K-Block Completed		28 February 2018	28 February 2018		
Floor Slab for 7 th Floor of K-Block Completed		31 July 2018	31 July 2018		
Structure K-Block Completed		31 December 2018	31 December 2018		
Practical Completion of K-Block		31 August 2019	31 August 2019		
Acceptance of the Final Report by the Commonwealth, in accordance with clause 27.					