

# PROJECT AGREEMENT FOR THE REDEVELOPMENT OF THE ROYAL HOBART HOSPITAL

Council of  
Australian  
Governments

An agreement between

- the Commonwealth of Australia and
- the State of 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

### PRELIMINARIES

1. This Project Agreement (the Agreement) is created subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations 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 Intergovernmental Agreement on Federal Financial Relations.
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 constitutes the entire agreement for this project.
4. 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.
5. This Agreement replaces the previous Project Agreement on the Redevelopment of the Royal Hobart Hospital of 21 June 2011.

### PART 1 – FORMALITIES

#### Parties to this Agreement

6. This Agreement is between the Commonwealth of Australia (the "Commonwealth") represented by the Minister for Health and Ageing and the State of Tasmania ("Tasmania") represented by the respective State Minister with portfolio responsibility for health.

#### Term of the Agreement

7. This Agreement will commence as soon as the Commonwealth and Tasmania sign the Agreement and will expire 30 June 2016 or once the project is complete and the final report is provided to the Commonwealth, whichever is the earlier, unless terminated earlier or extended as agreed in writing by the Parties.

8. The Project Plan to be developed is expected to be a flexible document that may be varied over time to accommodate changed circumstances. However, variations to the Project Plan that directly affect milestones and their achievement (Table 2) are subject to written agreement between the Ministers or their delegates.

### **Enforceability of the Agreement**

9. 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.

### **Role of the Commonwealth**

10. The Commonwealth will be responsible for:
  - (a) monitoring and assessing scope, cost, risk, and 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 of \$240 million to Tasmania to support the implementation of this Agreement. This funding is separate to the \$100 million provided under the Implementation Plan for Commonwealth Contribution to the Construction of the Women's and Children's Hospital in Hobart;
  - (c) monitoring compliance with relevant Commonwealth, State and local laws and regulations including in accordance with:
    - (i) the *Building and Construction Industry Improvement Act 2005*, ensuring that financial contributions to a building project or projects as defined under the *Building and Construction Industry (Accreditation Scheme) Regulations 2005*, are only made where a builder or builders accredited under the Australian Government Building and Construction Occupational Health and Safety Accreditation Scheme are contracted; and
    - (ii) the National Code of Practice for the Construction Industry and the Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry is a condition of Australian Government funding.

### **Role of Tasmania**

11. Tasmania will be responsible for
  - (a) providing a financial contribution of \$225 million to support the implementation of this Agreement;
  - (b) all aspects of delivering on the project outputs set out in this Agreement at Part 4;
  - (c) completing the activities in the Project Plan in a timely and professional manner, noting the provisions of clause 8, in accordance with this Project Agreement and all applicable legislation;
  - (d) ensuring compliance with relevant Commonwealth, State and local laws and regulations including:



- (i) that only builders accredited under the Australian Government Building and Construction Occupational Health and Safety Accreditation Scheme are contracted, and providing the necessary assurances to the Commonwealth; and
    - (ii) that compliance with the National Code of Practice for the Construction Industry and the Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry, is made a condition of tender for all contractors and subcontractors who tender for the work, and providing the necessary assurances to the Commonwealth; and
  - (e) reporting on the delivery of outputs as set out in Part 4 – Project Milestones, Reporting and Payments.
12. 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.

## Interpretation

13. For the purposes of this Agreement and the Project Plan, in order to achieve Practical Completion in relation to a milestone, the works must:
- (a) be complete and free from errors, defects or omissions, except for errors, defects or omissions that are of a minor nature:
    - i. the immediate making good of which by Royal Hobart Hospital is not reasonably practicable; or
    - ii. the existence of which or the making good of which by the Royal Hobart Hospital will significantly inconvenience users of the works for the designated use;
  - (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 use for the designated use.

## PART 2 – PROJECT OUTPUTS

### Outputs

14. The outputs for the redevelopment of the Royal Hobart Hospital, as described in the Regional Priority Round of the Health and Hospitals Fund project application dated 2 December 2010, will be:
- (a) Approximately 50,000 m<sup>2</sup> of floor area, noting that the application proposes 15,252 m<sup>2</sup> of additional floor area and 37,300 m<sup>2</sup> of current space refurbished or replaced;
  - (b) a Women's and Children's Hospital, including a dedicated Adolescent and Mental Health Unit;
  - (c) 195 new overnight, on-campus beds (increasing capacity from 371 to 566 beds);
  - (d) 12 additional operating and procedure rooms (increasing from 16 to 28);
  - (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) provision of infrastructure and engineering services that meet current building code standards and have the capability to cope with growth or emergency; and
- (j) a design and layout for flexible utilisation of beds and co-location of functional services.

## PART 3 – FINANCIAL ARRANGEMENTS

- 15. The Commonwealth will provide a total financial contribution to Tasmania of \$240m in respect of this Agreement and the Project Plan. All payments are GST exclusive.
- 16. The Commonwealth's funding contribution will not be reduced where Tasmania secures funding from other activity partners through innovative and collaborative partnerships.
- 17. The Commonwealth's and Tasmania'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 1.

**Table 1: Estimated financial contributions**

(\$ million)	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
<b>Estimated total budget</b>	<b>307.0</b>	<b>33.0</b>	<b>22.0</b>	<b>22.0</b>	<b>46.0</b>	<b>135.0</b>	<b>565.0</b>
Health and Hospital Funds Payment	170.0	20.0				50.0	240.0
Previous Commonwealth contribution <sup>(a)</sup>	100.0						100.0
Balance of non-Commonwealth contributions	37.0	13.0	22.0	22.00	46.0	85.0	225.0

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

- 18. National Partnership payments to Tasmania will be paid in accordance with *Schedule D – Payment Arrangements* of the Intergovernmental Agreement on Federal Financial Relations.
- 19. Having regard to the agreed estimated costs of projects specified in a Project 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 projects cost effectively and efficiently.
- 20. A final payment will be made as described in Table 2. The final payment is subject to the Commonwealth's acceptance of the final report that demonstrates that all milestones have been met in accordance with the Project Plan and all reporting arrangements have been met as described at part 4.

## PART 4 – PROJECT MILESTONES, REPORTING AND PAYMENTS

21. 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 2: Milestones, reporting and payment summary**

Output	Milestones	Relevant Report Due	Payment
Redevelopment of the Royal Hobart Hospital – consistent with the requirements specified at clause 14.	Payment for establishment costs to implement the project.	N/A	\$170.00m
	Provision and acceptance by the Commonwealth of a Project Plan identifying the construction timeframes, significant construction milestones and estimated project completion dates.	14/10/2011 (10 <sup>th</sup> business day following reporting quarter)	\$5.00m
	Completion of the EOI for appointing a Managing Contractor and commencement of the formal tender process.	13/04/12 (10th business day following reporting quarter)	\$15.00m
	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.	13/07/2012 (10th business day following reporting quarter)	\$00.00m
	Certification of Practical Completion of all elements of the project as specified in the Project Plan.	Within 90 days of the completion of the project	\$50.00m
	Acceptance by the Commonwealth of the final Project Report.		



## Reporting arrangements

22. Tasmania will provide the Commonwealth with quarterly reports 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 10<sup>th</sup> business day in January, April, July and October each year.
  - (a) These reports are required to be submitted via the Commonwealth Department of Health and Ageing's Health and Hospitals Fund Capital Projects Reporting Online system.
  - (b) All quarterly 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.
23. 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 – GOVERNANCE ARRANGEMENTS

### Dispute resolution

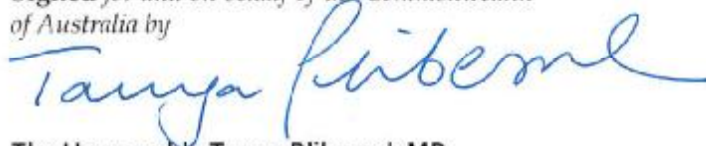
24. Any Party may give notice to other Parties of a dispute under this Agreement.
25. Officials of relevant Parties will attempt to resolve any dispute in the first instance.
26. If a dispute cannot be resolved by officials, it may be escalated to the relevant Ministers.
27. If a dispute cannot be resolved by the relevant Ministers, it may be referred to the Prime Minister and Premier for consideration.

### Variation of the Agreement

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

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

Signed for and on behalf of the Commonwealth  
of Australia by



**The Honourable Tanya Plibersek MP**  
Minister for Health

March 2012 13.4.12

Signed for and on behalf of the  
State of Tasmania by



**The Honourable Michelle O'Byrne MP**  
Tasmanian Minister for Health

March 2012