
New South Wales Auditor-General's Report
Performance Audit

Albert 'Tibby' Cotter Walkway

Transport for NSW
Roads and Maritime Services



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Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

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GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Albert 'Tibby' Cotter Walkway: Transport for NSW and Roads and Maritime Services**.

A handwritten signature in black ink, appearing to read 'A. T. Whitfield'.

A T Whitfield PSM
Acting Auditor-General
17 September 2015

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Executive summary

The Albert 'Tibby' Cotter Walkway (Walkway) crosses over Anzac Parade in Moore Park and was operational for the 2015 Cricket World Cup at the Sydney Cricket Ground (SCG). The Walkway's primary function is to cater for event patrons in the precinct. It also aims to improve suburban connections for other pedestrians and cyclists.

Moore Park is listed on the State Heritage Register and is an open space, specifically established to cater for public recreation.

The Walkway was built by a project alliance, known as the CBD Alliance. Alliance contracting is a procurement method to deliver major capital projects where a public sector agency works collaboratively with private sector parties.

This audit assessed whether Transport for NSW (TfNSW) and Roads and Maritime Services (RMS) adopted appropriate processes to provide adequate assurance that the Walkway project represented value for money.

Audit conclusion

By using the CBD Alliance, RMS delivered the Albert 'Tibby' Cotter Walkway to an extremely tight timeframe. It was operational for the Cricket World Cup as promised by the government.

However, the World Cup deadline added substantially to the total cost of the Walkway, which is projected to be \$38 million.

TfNSW and RMS could not provide evidence of a compelling economic or financial analysis to support the construction of the Walkway or for the tight deadline. Also, the processes they adopted to provide assurance of the project's value for money were not adequate.

Justification for the Walkway and the deadline was weak

The processes adopted by TfNSW and RMS did not provide adequate assurance that construction of the project to the tight deadline was justified.

In February 2014, the then Premier announced the building of the Walkway to a World Cup deadline. This was before any business case was prepared.

A preliminary business case was prepared by TfNSW and RMS as required by Government policy, but not signed. As a result, it is not clear who, if anyone, approved the project to proceed on the basis outlined in the preliminary business case.

The preliminary business case confirmed a service need and that a bridge was the preferred solution. However, the preliminary business case's cost, benefit and risk assessments had a number of shortcomings and it did not assess the costs of achieving the tight deadline. RMS and TfNSW understated project risks, project scope and the likely time needed for planning approvals. The preliminary business case was also not independently Gateway reviewed.

Overall, the preliminary business case did not provide a compelling economic or financial argument to build the Walkway, or for the extremely tight deadline. A project of this nature would normally take 20 months, and this project had to be completed in 14 months.

RMS was working to a February 2015 deadline from December 2013. Yet the Sydney's Walking Future strategy released in December 2013 envisaged that the Walkway would be completed by 2017 and the NSW Long Term Transport Master Plan identified the Walkway as a medium to long term priority. Further, it was clear since 2011 that the SCG would host World Cup games in early 2015.

There was no final business case or independent Gateway review

The processes adopted by TfNSW and RMS did not provide adequate assurance that the business case for the Walkway was robust and the project represented value for money.

There was no final business case and no Gateway review as required by the government's project assurance system. RMS never clearly demonstrated that the Walkway should be built. RMS also did not clarify the extra cost required to meet the ICC World Cup deadline or demonstrate it was worth paying.

Key stakeholders were consulted

RMS sought public comment on the Walkway design and took into account feedback in finalising the design. TfNSW/RMS consulted closely with key stakeholders throughout the design and construction phase, and responded to issues raised.

The deadline was achieved but added substantially to the cost

RMS delivered the bridge to an extremely tight timeframe. An extension of an existing alliance was probably the only way RMS could meet the deadline.

However, alliancing is a relatively costly procurement method, and the cost structure of the CBD Alliance was high. RMS accepted a cost premium by alliancing with a tier one (highly experienced and qualified) contractor to mitigate the risks associated with the tight timeframe. This turned out to be an effective strategy as it delivered the Walkway on time.

RMS originally developed a design that was sound from an engineering perspective and would have been expedient to build. Based on stakeholder consultations and expert advice, RMS thought it would be 'fit-for-purpose'.

However, legislation makes the independent Heritage Council the arbiter of what is 'fit-for-purpose' on sites with high heritage values, including the Walkway's Moore Park site. The Council did not consider the Walkway design originally proposed by RMS to be 'fit-for-purpose' on such a heritage site. The design constructed was inherently more complex and expensive to build, but was less visually intrusive. And it met the requirements of the Council, whereas the original RMS design did not. Further, the bridge location is highly sensitive and the design was always going to be subject to extensive scrutiny. In that context, TfNSW and RMS' original works schedule was ambitious in the design and procurement of approvals, allowing two months compared to a normal timeframe of about eight months.

RMS says the Heritage Council added \$10.6 million of the \$13 million increase from the preliminary business case estimate of \$25 million. This relies on the assumption that the original design was fit-for-purpose. It is more appropriate to attribute the additional costs to the deadline and the compressed project timetable.

The deadline not only led to an expensive alliance arrangement but to RMS developing an additional design as a risk mitigation strategy, additional overtime, inefficient use of equipment, and temporary works. It also prevented concurrent delivery with the CBD and South East Light Rail project, which RMS thought would save millions of dollars.

Several good governance practices, but some implementation shortcomings

RMS adopted several good governance practices for the alliance, including keeping the alliance at arms-length and using an independent cost estimator. However, there were some shortcomings in implementation. Also in line with the NSW Government Procurement Policy, RMS should have submitted several reports to Treasury on the project which it did not.

Depending on the specific terms of an alliance, it can fall within the definition of a 'joint venture' under the *Public Authorities (Financial Arrangements) Act 1987* (PAFA Act) and therefore require Treasurer's approval. When the CBD Alliance contract was entered into, RMS was not aware of this and did not approach Treasury about the application of the PAFA Act.

Recommendations

Assuring projects are justified

- 1) TfNSW and RMS should follow Treasury capital program assurance requirements and before any public announcement of a project:
 - a) prepare a robust preliminary business case adequately justifying the project and analysing the costs and benefits of any unusually tight deadline
 - b) arrange a Gateway review of the preliminary business case and address issues arising from the review.

Assuring business cases are sound

- 2) TfNSW and RMS should follow Treasury capital program assurance requirements and:
 - a) prepare a robust final business case demonstrating the worth of the project and analysing the costs and benefits of any unusually tight deadline
 - b) arrange a Gateway review of the final business case and address issues arising from the review.

Assuring economical construction

- 3) RMS should, for future alliances:
 - a) liaise with Treasury to determine if the Treasurer's approval for the alliance is required
 - b) ensure it effectively implements assurance processes as per its alliancing guidelines
 - c) comply with relevant Treasury capital project reporting requirements.

Introduction

Moore Park - a heritage site and sport and entertainment precinct

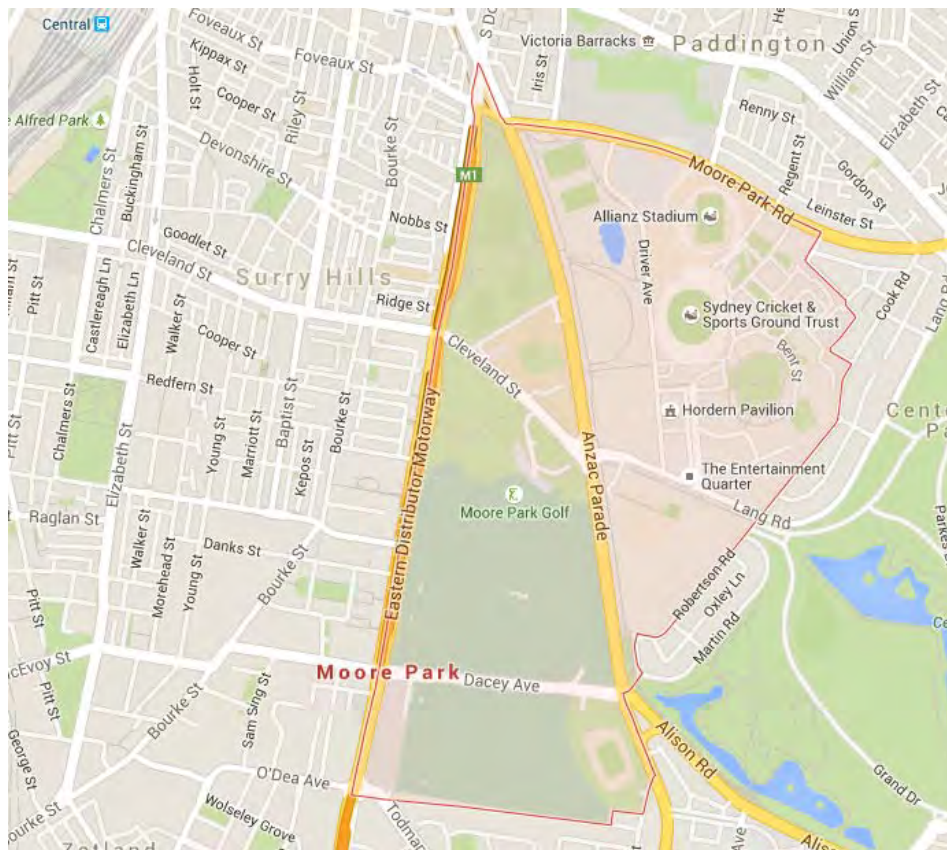
Moore Park, located in Sydney's eastern suburbs, is a large open space specifically established to cater for public recreation.

Moore Park is a unique place of exceptional national, state and local heritage significance. It is listed on the State Heritage Register. See Appendix 2. Listing on the State Heritage Register means that the heritage item:

- is of particular importance to the people of New South Wales and enriches our understanding of our history and identity
- is legally protected as a heritage item under the *NSW Heritage Act 1977*
- requires approval from the Heritage Council of NSW for major changes.

Moore Park is also one of Sydney's most significant sport and entertainment precincts. Major land uses in this area include Sydney Cricket Ground, Alliance Stadium, the Entertainment Quarter, Fox Studios, Royal Hall of Industries and Hordern Pavilion.

Exhibit 1: Moore Park



Source: Google Maps, 2015.

The area between Central Railway Station and Moore Park experiences large volumes of pedestrian, cycle and motor vehicle traffic, particularly before and after major events in the Moore Park precinct. The Sydney Cricket Ground and the Alliance Stadium each can hold over 45,000 spectators. Events in the Entertainment Quarter can attract up to 5,000 people.

Albert 'Tibby' Cotter Walkway

In February 2014, the then NSW Premier announced that a pedestrian and cycle bridge would be constructed across Anzac Parade in Moore Park and be operational for the SCG's first game of the 2015 Cricket World Cup on 27 February 2015. It was to be known as the Albert 'Tibby' Cotter Walkway (Walkway) and was delivered to this deadline.

A safe, direct route across Anzac Parade has been proposed for some time and was included in the master plans of the Centennial Parklands, the Sydney Cricket and Sports Ground Trust, and the NSW Long Term Transport Master Plan.

The Walkway's primary function is to cater for event patrons. However, it also improves suburban connections for regular pedestrians and cyclists.

It is a 420 metre long structure with a six metre wide deck and curved (helix) approaches at either end of the Walkway.

Exhibit 2: Albert 'Tibby' Cotter Walkway



Source: Daily Telegraph.

Alliance contracting

The Walkway was built by a project alliance.

Alliance contracting is a procurement method to deliver major capital projects where a public sector agency (the owner participant or OP) works collaboratively with private sector parties (the non-owner participant or NOP). Key benefits of alliancing include that parties have incentives to work cooperatively to complete the project within the timeframe and budget forecast in the business case, to find the best solution for the project, and to work quickly and collaboratively to resolve issues as they arise. Under alliance contracts, risks of project delivery are often jointly managed by the parties, although financial exposure lies mostly with the State.

The alliance develops a project proposal which has a project solution and a target outturn cost (TOC) for the delivery of the project solution. The TOC is the estimated cost at the completion of the alliance works and consists of:

- direct costs – project specific costs including design
- indirect costs – overheads

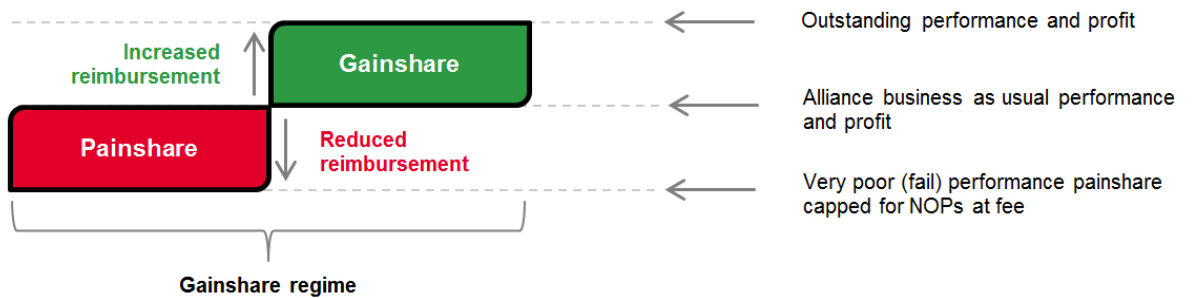
- contingency – an allowance to cover risks
- escalation – an allowance for possible escalation in prices
- NOP's fee – the NOP's profit margin and corporate overheads.

The project proposal is delivered to the owner for approval.

The TOC is measured against the actual outturn cost (AOC) for the purpose of assessing cost gainshare or painshare in accordance with a commercial framework.

If the agreed works are completed below the TOC, the NOP of the alliance share in the savings (gainshare) but if the actual alliance costs exceed the TOC their profit is reduced (painshare). The NOP always get paid all of the project costs they incur.

Exhibit 3: Alliance commercial framework model



Source: Guide to the establishment of Project Alliances for the delivery of Infrastructure, RMS, 2011.

The TOC is lower than the total cost of the project because it excludes additional expenses critical to the delivery of the project which are outside the alliance responsibility, such as:

- all cost incurred prior to alliance selection
- all project scope that is not to be delivered by the alliance, for example land acquisition, approvals
- all costs to be incurred by the owner in managing and governing the alliance including gainshare
- all risks that are not taken by the alliance
- contingency allowance to cover owner's exposure to cost overrun.

About the audit

This audit assessed whether Transport for NSW (TfNSW) and Roads and Maritime Services (RMS) adopted appropriate processes to provide adequate assurance that the Albert 'Tibby' Cotter Walkway (Walkway) project represented value for money. In particular, it examined whether these agencies adopted appropriate processes to provide assurance that the:

- Walkway was justified
- Walkway's business case was robust and demonstrated it was value for money
- Walkway's construction was managed effectively and it was built economically.

Key findings

1. Was the Walkway justified?

The processes adopted by TfNSW and RMS did not provide adequate assurance that construction of the project to the tight deadline was justified.

A preliminary business case was prepared by TfNSW and RMS as required by Government policy, but not signed. The preliminary business case confirmed a service need and that a bridge was the preferred solution. It did not, however, provide a compelling economic or financial argument to build the Walkway or for the extremely tight deadline. There was no Gateway review of the preliminary business case.

In February 2014, the then Premier announced the Walkway would be completed by February 2015 for the Cricket World Cup.

RMS was working to a February 2015 deadline from December 2013. Yet the Sydney's Walking Future strategy released in December 2013 envisaged that the Walkway would be completed by 2017 and the NSW Long Term Transport Master Plan identified the Walkway as a medium to long term priority. Further, it was clear since 2011 that the Sydney Cricket Ground would host World Cup games in early 2015.

The project was under severe time stress from the outset. A project of this nature would normally take 20 months, and the Walkway had to be completed in 14 months.

Recommendations

TfNSW and RMS should follow Treasury capital program assurance requirements and before any public announcement of a project:

- prepare a robust preliminary business case adequately justifying the project and analysing the costs and benefits of any unusually tight deadline
- arrange a Gateway review of the preliminary business case and address issues arising from the review.

A preliminary business case was prepared but not signed

All general government agencies in New South Wales are required to develop a preliminary business case to support a capital related proposal for projects with estimated total cost over \$10 million. The preliminary business case is to demonstrate the rationale for a service need.

The preliminary business case for the Albert 'Tibby' Cotter Walkway was completed in April 2014, but never signed off/approved by RMS or TfNSW. As a result, it is not clear who, if anyone, approved the project to proceed on the basis outlined in the preliminary business case.

The preliminary business case confirmed a service need

The primary objective of the proposed Walkway was to improve safety, accessibility and the experience for event spectators in Moore Park. The Walkway was to also cater for non-event pedestrians and cyclists.

The preliminary business case provided a comprehensive statement of need for the investment in the context of pedestrian movement to and from the Moore Park precinct in times of major events. In doing so, the business case identified key demand events, pedestrian and cycling demand, event transport mode share, parking supply and key transport conflict points. The business case met the NSW Treasury Guideline for Capital Business Cases requirements of:

- identifying the project alignment with NSW Government policies, strategies and plans
- considering various options relative to maintaining the status quo.

The preliminary business case confirmed a bridge at the proposed location was the preferred solution

In 2006, a study was undertaken to determine the feasibility of a pedestrian bridge across Anzac Parade at Moore Park to improve safety of patrons attending major sporting and cultural events and residents walking and cycling to/from the city.

The study concluded that:

- a grade separated pedestrian crossing over Anzac Parade at Moore Park would provide benefits to pedestrians and cyclists in the area, and specifically patrons attending events in the entertainment precinct
- the most suitable location for the bridge would be adjacent to Gregory Avenue which links paths on both sides of Anzac Parade
- the bridge platform and ramps would need to be significantly wider than typical pedestrian bridges due to the peak demands
- zig-zag ramps would be needed to minimise intrusion into the parkland.

In 2012, a strategic concept study investigated options to improve pedestrian and cyclist access between Central Railway Station and Moore Park.

It found several significant impediments to designating the Foveaux/Fitzroy corridor as a preferred route. Cooper/Arthur and Devonshire/Parkham corridors were proposed as parallel routes to distribute crowds after events. Both routes were to service a pedestrian/cycle bridge across Anzac Parade. The Gregory Avenue location was found to meet the needs of both pedestrians and cyclists seeking to cross Anzac Parade.

The study concluded that the construction of the pedestrian and cyclist bridge in the proposed location would reduce pedestrian demand on the Fitzroy/Foveaux corridor, with resulting improvement in traffic performance as well as improved safety and amenity for pedestrians.

Exhibit 4: Bridge location



Source: RMS, 2015.

In January 2014, the Moore Park Pedestrian and Cycle Bridge Study report identified that the proposed light rail project would provide opportunities to maximise the attractiveness of the Devonshire Street corridor as an enhanced event access corridor between Central Station and Moore Park.

The light rail project will significantly improve the walking environment on the corridor through an upgrade of the streetscape and relocated Parkham Street pedestrian bridge to South Dowling Street. This combined with a new pedestrian cyclist bridge across Anzac Parade would create a more attractive direct route between the stadia and Central Station.

The proposed Walkway's primary function was to cater for event patrons. With this objective in mind, the study recommended Gregory Avenue as the preferred location.

Based on the 2014 study, the preliminary business case recommended a pedestrian and cyclist bridge across Anzac Parade adjacent to Gregory Avenue.

The preliminary business case did not provide a compelling economic or financial argument to build the Walkway

The preliminary business case did not provide an adequate analysis of the Walkway's costs and benefits. It should have demonstrated that the estimated benefits of the Walkway would exceed its likely costs, and that it was worth developing a full business case. It did not do so.

The estimated cost of the project was not robust and was out of date.

The cost estimate in the preliminary business case was \$25 million. At the time, TfNSW senior staff questioned the estimate's robustness. The final cost is projected to be around \$38 million.

The cost estimate included a relatively low level of risk contingency for a project at the preliminary business case point. A better practice level of risk contingency would have led to an estimate in the range of \$28 million to \$32 million. The logic of a relatively low contingency is unclear, given the known time constraints on approvals and construction.

The cost estimate used in the preliminary business case was for a design which had already been rejected by the Heritage Council.

The scope of work definition in the preliminary business case was also limited to the Walkway structure with little consideration given to ancillary works that might eventuate in the Moore Park area associated with the impact of the bridge on the existing playing fields.

Benefits were also not well quantified. A detailed cost-benefit analysis was not presented on the basis that it would provide an 'unrealistically pessimistic view of the economic viability of the project'. This is not a valid reason.

RMS contends that the government's announcement before the preliminary business case that the Walkway would be operational for the 2015 Cricket World Cup was sufficient justification for building the Walkway.

Despite this, RMS should still have undertaken a thorough cost-benefit analysis and advised the Minister if the analysis showed the project was not justified.

The preliminary business case did not provide a compelling argument for the extremely tight deadline

The NSW Long Term Transport Master Plan identified the bridge across Anzac Parade as a medium to long term priority. The Sydney's Walking Future strategy released in December 2013 envisaged that the bridge would be completed by 2017.

However, the preliminary business case proposed that the bridge be completed by the 2015 Cricket World Cup.

The reason for bringing forward the project's priority and adopting the Cricket World Cup deadline was not well documented. The preliminary business case commented that there would be a negative impact on Sydney's image during 2015 Cricket World Cup if there was no pedestrian walkway, but provided no supporting evidence for this statement.

It is not clear who initiated the decision to build the Walkway by the World Cup. Also, if it was so important to have the Walkway operating by the World Cup, then it is not clear why the decision was left so late, given hosting of the World Cup was awarded to Australia in 2011.

The then Premier announced the Walkway in February 2014, before the preliminary business case was prepared.

In August 2013, the then Minister for Sport and Recreation asked the Minister for Roads and Ports to look into the construction of a walkway over Anzac Parade to mitigate the impact of construction works for the CBD and South East Light Rail Project on parking and pedestrian movement in the precinct including for World Cup patrons. At that time, contracts for the CBD and South East Light Rail Project were expected to be awarded in mid to late 2014, that is, before the 2015 World Cup.

In September 2013, the Minister for Roads and Ports asked RMS to work collaboratively with TfNSW to investigate the feasibility of delivering a pedestrian bridge across Anzac Parade in Moore Park in conjunction with the CBD and South East Light Rail project. The main objective of the bridge was to improve pedestrian access from Central Railway Station to the Moore Park sporting and entertainment precinct for spectators attending events including the Cricket World Cup in 2015.

In response to the request, RMS advised the Minister that:

- RMS supported a pedestrian bridge being considered concurrently with the light rail project
- delivering the pedestrian bridge with light rail would bring savings of millions of dollars
- the estimated cost of the bridge would be between \$10 and \$15 million
- at that stage, there was no allocation of funds for the bridge construction
- \$500,000 was allocated for the bridge planning in 2013-14
- RMS would discuss with TfNSW merits of a concurrent pedestrian bridge project with the light rail project.

There was no evidence at that stage that a Cricket World Cup deadline had been determined.

Further, the construction of the CBD and South East Light Rail Project did not start in 2014 as planned or before the Cricket World Cup.

The preliminary business case did not assess the costs of achieving the tight deadline

From December 2013, RMS was clearly operating under the assumption that the government wanted the Walkway to be ready by the Cricket World Cup.

RMS should have made clear to the Minister the costs of accelerating construction to meet the compressed deadline. The project was under severe time stress from the outset and RMS was aware of this. The allocated timeframe for the Walkway was 14 months, while a typical timeframe for a truss bridge is at least 20 months. The issue of tight deadlines was mentioned in the business case repeatedly, and was a key reason RMS chose to extend an existing alliance arrangement. However, there was no cost benefit analysis of the compressed project schedule in the preliminary business case.

RMS underestimated the time needed to obtain Heritage Council approval and the risk the Council could seek changes to the design

The original schedule for the bridge construction was extremely ambitious in the procurement of design and approvals. The bridge location is highly sensitive and the design was always going to be subject to extensive scrutiny.

Under a normal but expeditious schedule, in order to meet the World Cup deadline, design work should have commenced in June 2013 and construction in February 2014. Thus, it would allow about eight months for design work and planning approvals and about 12 months for construction.

The original RMS schedule for the Walkway shows the project commencing on 6 January 2014 and construction commencing on 3 March 2014. That is, two months for design and approvals.

The Heritage Council granted conditional approval under section 60 of the *Heritage Act* in April 2014, two months after the application was lodged. The conditional approval allowed RMS to undertake site set up works. Approval to commence ground enabling works was granted on 20 June 2014.

Final approval was granted by the Council in August 2014, six months after the RMS target date but broadly in line with a normal but expeditious schedule.

Even if the Council had approved the truss design originally proposed by RMS, it is unlikely that construction could have commenced before early May 2014 because of the Review of Environmental Factors (REF) process.

While there is no requirement for the Council to take into account agency deadlines in its deliberations, the Council met several times including out of session to consider design options.

The preliminary business case also understated the risk to time and costs arising from the need to obtain Heritage Council approval. While the preliminary business case identified section 60 approval (*Heritage Act*) by the Council as one of the project risks, it did not rate the likelihood or consequences of this risk and the only mitigation strategy was to seek early comment from the Heritage Council.

Arguably, the risk likelihood should have been high given the Council had rejected the proposed truss design before the preliminary business case was prepared and the consequences should have been severe due to the extremely tight deadline.

There was no Gateway review of the preliminary business case, which should have occurred before the project was announced publicly

Treasury Circular TC10/13 requires:

- agencies to submit a preliminary business case for each project with an estimated total cost over \$10 million for a Gateway review process to assess the robustness of the proposal
- a Gateway review of the preliminary business case before any public announcement of a project.

The preliminary business case for the Walkway was not subjected to a Gateway review. As discussed above, the then Premier announced the Walkway in February 2014, before the preliminary business case was prepared.

Gateway reviews are reviews of major procurement projects at up to six defined decision points (or gates) in the project's procurement cycle. The project's significant stakeholders are interviewed and its documents examined. A Gateway review is a review by experienced peers to provide a fresh view of the project. The review assesses the robustness of the project proposal and contributes to improve its ultimate performance.

The review assesses the proposal against the following criteria:

- service delivery
- affordability and value for money
- sustainability
- governance
- risk management
- stakeholder management
- change management.

2. Was the business case sound?

The processes adopted by TfNSW and RMS did not provide adequate assurance that the business case for the Walkway was robust and the project represented value for money.

There was no final business case and no Gateway review as required by the government's project assurance system. RMS never clearly demonstrated the Walkway should be built. RMS also did not clarify the extra cost required to meet the 2015 ICC Cricket World Cup deadline or demonstrate it was worth paying.

There is no documentation showing that the government was informed of the cost premium associated with using an alliance under extreme time constraints.

RMS sought public comment on the Walkway design and took into account the feedback in finalising the design. TfNSW/RMS consulted closely with key stakeholders throughout the design and construction phase, and responded to issues raised.

Recommendations

TfNSW and RMS should follow Treasury capital program assurance requirements and:

- prepare a robust final business case demonstrating the worth of the project and analysing the costs and benefits of any unusually tight deadline
- arrange a Gateway review of the final business case and address issues arising from the review.

There was no final business case and no Gateway review, diminishing assurance over value for money

TfNSW/RMS did not demonstrate that the Walkway represented value for money and was worth building.

Under Treasury Circular TC12/19, all general government agencies must develop a final business case for projects over \$10 million. The purpose of a final business case is to prove that a proposed project represents value for money. The final business case should include:

- a full examination and evaluation of shortlisted options
- a cost estimate of the project within 10 per cent accuracy
- full examination of the requirements to implement the project, including procurement strategy
- risk assessment, including assessment of significant environmental and heritage factors and cost benefit analysis to mitigate them.

TfNSW/RMS did not prepare a final business case. Also, TfNSW/RMS did not comply with the Gateway review requirement set by Treasury Circular TC10/13.

The preliminary business case was not sufficiently robust to mitigate the need for a final business case. While the preliminary business case had some elements of a final business case, it did not have the required level of analysis. There was no cost-benefit analysis of the final project design, the costs and benefits of acceleration were never adequately analysed, and there was no evidence of adequate risk assessment before the decision to build the bridge was made.

The likely cost premium due to the tight timeframe was not well communicated

The reason for the preferred procurement strategy was the short timeframe. TfNSW/RMS concluded that an extension of an existing alliance was the only approach likely to deliver the project to the tight timeframe. It therefore did not test whether the Walkway could have been delivered more economically through a lump sum or design and construct contract rather than an alliance, or whether a different alliance partner could have delivered the project more economically.

The consequences of the tight timeframe and the decision to use the CBD Alliance should have been clearly communicated to the government. Best practice is that regardless of the time imperative to complete a project the Owner (in this case TfNSW/RMS) should:

- ensure that the business case for the project addresses the cost premium that may be associated with using an alliance under extreme time constraints and where the Owner is unable to undertake a thorough procurement process
- inform decision makers about the cost premiums and potentially negative value for money impact arising from planning processes being truncated, in order to deliver the project within extreme time constraints.

RMS sought public comment on the Walkway design and took into account the feedback in finalising the design

The detailed design of the proposal took into account feedback from stakeholders, the submissions received as part of the Review of Environmental Factors (REF) process and the section 60 heritage approval process. The design was refined, an alternative slender box girder structure replaced the truss structure, and the shape of the piers was modified to address concerns raised about the visual aspect.

Due to the tight deadline, RMS decided to seek community and stakeholders feedback on the proposed bridge location and design through the REF process.

The REF was put on display in March 2014. It was for a truss bridge located adjacent to Gregory Avenue. In response to the proposal, RMS received 78 stakeholder and community submissions. Of these, 11 submissions supported the proposal and 67 submissions objected to specific aspects of the proposal. The major concerns with the proposed bridge included its location and visual impact. In May 2014, RMS published a report responding to these submissions.

RMS had limited options to choose the Walkway location because:

- the main purpose of the Walkway was to cater for the spectators of special events
- the impact on heritage trees and playing fields had to be minimal
- of permanent features such as the Korean Memorial and Pavilion, and utilities that could not be moved.

Also, RMS took into consideration the impact of the proposed light rail and another pedestrian bridge across Anzac Parade that would be constructed next to Sydney Girls High School.

TfNSW/RMS consulted with key stakeholders throughout the design and construction phase, and responded to issues raised

During 2013 and early 2014, RMS established a key stakeholder reference group to discuss the Walkway works, program, impacts and other issues of concern. The group had representatives from:

- RMS
- Department of Premier and Cabinet
- Centennial Park and Moore Park Trust
- Sydney Cricket Ground Trust
- NSW Office of Veterans' Affairs
- Returned Services League of Australia
- Office of Communities, Sport and Recreation
- City of Sydney.

The group met regularly and provided feedback on project development and implementation.

Representatives from the reference group advised us that they were satisfied with the level of involvement and the responsiveness of RMS to their suggestions.

3. Was the Walkway delivered effectively and economically?

RMS delivered the bridge to an extremely tight timeframe. An extension of an existing alliance was probably the only way RMS could meet the deadline.

The deadline not only led to an expensive alliance arrangement but to RMS developing an additional design as a risk mitigation strategy, additional overtime, inefficient use of equipment, and temporary works. It also prevented concurrent delivery with the CBD and South East Light Rail Project, which RMS thought would save millions of dollars.

The truss structure originally proposed by RMS was sound from an engineering perspective, and RMS thought it was fit-for-purpose based on consultations with key stakeholders. Nevertheless, the independent Heritage Council determined its visual impact was too great on an important heritage site. The critical issue is whether the lower cost design proposed by RMS was 'fit-for-purpose' in the context of the Walkway's location and setting. The Heritage Council is the statutory mechanism established to determine the type/standard of structure suitable for a heritage site.

RMS adopted several good governance practices for the alliance, including keeping the alliance at arms-length, using an independent cost estimator and best practice guidelines. However, there were some shortcomings in implementation of the assurance processes outlined in its guidelines. Also in line with the NSW Government Procurement Policy, RMS should have submitted several reports to Treasury on the project which it did not.

Depending on the specific terms of an alliance, it can fall within the definition of a 'joint venture' under the *Public Authorities (Financial Arrangements) Act 1987* (PAFA Act) and therefore require Treasurer's approval. When the CBD Alliance contract was entered into, RMS was not aware of this and did not approach Treasury about the application of the PAFA Act.

Recommendations

RMS should, for future alliances:

- ensure it effectively implements assurance processes as per its alliancing guidelines
- liaise with Treasury to determine if the Treasurer's approval for the alliance is required
- comply with Treasury capital project reporting requirements.

RMS delivered the bridge to an extremely tight timeframe, and extending an existing alliance was probably the only way RMS could achieve this

The Walkway was open for the 2015 ICC Cricket World Cup.

It took 14 months from concept to the Walkway being operational, including obtaining statutory approvals. A project of this nature would normally take a minimum of 20 months.

RMS understood that the government wanted this project to be delivered by the 2015 Cricket World Cup. RMS believed that the only way they could meet the deadline was through extending an existing alliance.

In January 2014, RMS formed a new alliance team, using the existing Bridge Solutions Alliance (BSA) agreement. The BSA was formed in 2010 to undertake significant maintenance works on ANZAC Bridge. RMS combined the existing team from BSA with the team from the Windsor Bridge Alliance.

The new alliance team was named CBD Alliance and it was responsible for delivering four projects:

- Albert 'Tibby' Cotter Walkway
- Sydney Harbour Bridge Lifts
- CBD Bus Plan
- CBD Cycleways.

For the Walkway, the scope of the work for the CBD Alliance covered the concept design, detailed design, communications, environment assessment, procurement, construction and handover.

RMS engaged an independent project management expert who reviewed and endorsed the approach to use the existing alliance for the Walkway.

Alliances are well-suited to situations where an agency is seeking to deliver a project to a very tight deadline.

The decision to extend an existing alliance no doubt saved the time it would have taken to undertake a procurement exercise and establish an alliance, or negotiate design and construct contracts. RMS' view was that there was insufficient time for such a procurement process, given the tight deadline.

To minimise the risk of the project not being delivered to agreed deadline, RMS wanted a tier one contractor to undertake the capital works. The CBD Alliance partner is a tier one contractor. Tier one firms are the largest and most experienced in the industry.

The preliminary business case recommended alliancing as a preferred procurement option due to the short timeline for the project. However, it did not have supporting analysis to show the potential for superior value for money compared to other procurement alternatives. Also, RMS entered the alliance well before the preliminary business case was finalised.

Alliancing is a costly procurement method

Research shows that alliances are generally more expensive than some alternative procurement strategies. A national benchmarking study on alliancing conducted in 2009 found that alliancing is generally more expensive than design and construct and Public Private Partnership options:

- average increase from business case cost estimate to TOC was of the order of 45-55 per cent
- the average increase from agreed TOC to actual outturn cost was of the order of 5-10 per cent
- a significant management demand is put on the government agencies entering the alliance.

The cost structure of the specific alliance was high, but RMS accepted this to mitigate the risk to the deadline

NOP fees (margin plus project corporate overheads) as a proportion of the Walkway TOC were high.

RMS advises that the proportion of fee for this project reflects the cost of engaging a tier one contractor to undertake a project of this size and complexity. RMS considered this in selecting the contractor due to certainty of delivery, quality and safety requirements.

The independent estimator highlighted the relatively high fees as a proportion of other costs. The fees agreed with the alliance partner were 13.91 per cent, higher than the historical fees of 11 to 12 per cent for RMS alliances. The National Alliance Contracting Guidelines also indicate the Walkway fees were relatively high.

The TOC agreed between the CBD Alliance and RMS was nine per cent higher than the benchmark estimate provided by the independent cost estimator. The TOC also provided the CBD Alliance NOPs fees on:

- the costs of developing the TOC and project proposal, whereas best practice is for these costs to only be reimbursed
- the project management costs, which is not contemplated in RMS' alliancing guidelines.

TfNSW/RMS costs were also higher than expected. The preliminary business case estimated that TfNSW/RMS costs outside the TOC at \$1.3 million, whereas the current estimate is \$3.2 million.

The tight timeframe precluded competition for the Walkway contract and alternative procurement strategies

A more realistic timeframe would have also allowed consideration of alternatives to an alliance, including design and construct.

The tight timeframe did not allow for competitive selection of an alliance partner. Competitive tendering for an alliance to construct the Walkway may have reduced the cost.

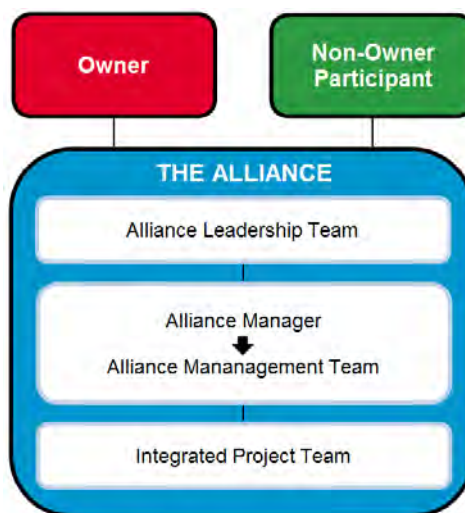
While the CBD Alliance NOP won the tender for the Windsor Bridge Alliance through competitive selection, it will never be known if a different proponent with similar capability would have completed the Walkway at a lower cost if it had the opportunity to compete.

Essentially, the deadline drove the decision to extend the existing alliance rather than any consideration of value for money.

RMS adopted a number of good governance practices

RMS used its standard alliance governance structure as illustrated in Exhibit 5.

Exhibit 5: Typical alliance structure



Source: Guide to the establishment of Project Alliances for the delivery of Infrastructure, RMS, 2011.

The alliance was governed by a joint management structure comprising:

- alliance leadership team made up of representatives from all alliance participants and accountable to the OP and NOP for the alliance performance
- alliance management team responsible for the day-to-day management of the project.

A key benefit of the structure is that RMS has a nominated officer outside the alliance to look after its interests. This is important because OP (RMS representatives) on the alliance must work on a best for project basis, and what is best for project is not necessarily what is best for RMS because RMS has to consider broader road network and policy issues.

A Senior Executive Review Group comprising RMS and NOP senior managers oversaw the negotiations and project commencement process undertaken by the Alliance Leadership Team.

RMS obtained independent probity advice in relation to the negotiation and engagement processes between RMS and the alliance partners.

A technical interface manager was engaged for the project to facilitate the technical review of the design and shorten the timeframe for design reviews. An external firm was also engaged as the independent verifier for the bridge design for the Walkway.

RMS' alliancing guidelines represent good practice in that they are consistent with the National Alliancing Guidelines.

RMS engaged an independent cost estimator to provide assurance about the veracity of the TOC.

There were some gaps in implementing assurance processes

While RMS had good assurance processes and procedures in design, there were some gaps in implementation.

When an alliance is the preferred procurement option, the TOC should be included in the final business case and Gateway reviewed. As discussed earlier, there was no final business case and no Gateway review of the project's costs.

RMS' guidelines recommend that the TOC should be reconciled to the business case estimate. There was no final business case, so there could be no such reconciliation. The TOC was \$10.5 million (42 per cent) higher than the estimated total project cost in the preliminary business case.

RMS relied heavily on the independent estimator to provide assurance that the Walkway's cost was reasonable. However, there were some shortcomings in this process that diminish its reliability as an assurance mechanism. In particular:

- the TOC was agreed between RMS and the CBD Alliance NOPs before the independent estimator's report was finalised
- the TOC agreed was nine per cent higher than the independent estimator's recommendation
- there was no evidence that report recommendations going to cost reduction were acquitted.

Further:

- some important data in the body of the independent estimator's report is inconsistent with data in the appendix of the report
- some data, analysis and recommendations in the evaluator's final report were outdated.

The project management costs for the Walkway were calculated as a proportion of the total management costs for the four projects under the broader CBD Alliance agreement. This was a practical solution, but hid the actual expenditure on management costs for each project thereby diminishing transparency of these costs for the Walkway. RMS was not able to demonstrate how it obtained adequate assurance that the total management costs for the four projects were reasonable and that the proportions were not properly allocated, although a financial audit confirmed the claimed costs for the four projects were incurred.

The Alliance NOPs were entitled to receive a bonus (gainshare) for having the Walkway operating for the ICC Cricket World Cup in February 2015. Given the importance of the deadline to RMS and the government, such an incentive was to be expected. While a version of the commercial framework was developed in June, the final commercial agreement which offered this bonus was not signed until March 2015 and a key annexure not signed until April 2015.

The truss structure was sound from an engineering perspective, but the Heritage Council determined its visual impact was too great

To meet the tight deadlines, RMS proposed a truss structure for the Walkway. The structure was relatively easy to build, would cater for peak demand, and RMS had experience with constructing truss bridges.

The Walkway's location has high heritage values, and as such any substantial structures require Heritage Council approval. An important consideration for approval on this site was the visual impact of the Walkway. The *Heritage Act* says the Heritage Council should take into consideration the extent to which a proposal impacts on the heritage significance of the location. One aspect of this is the impact on the visual or scenic landscape.

RMS held the view that the truss structure was a high quality design suitable for its purpose and befitting its location. It formed this view based on:

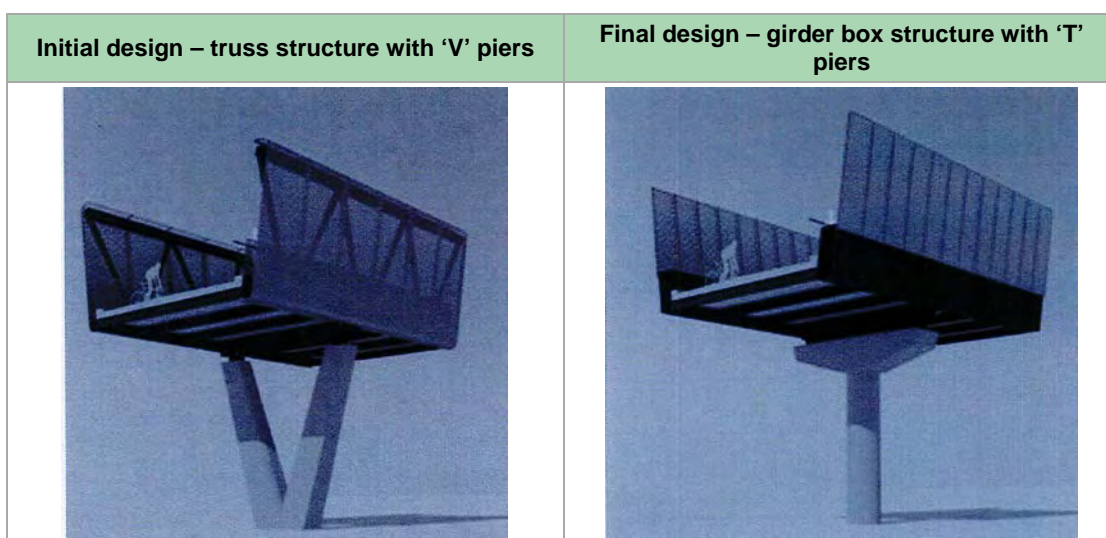
- consultations with the Government Architect, Heritage Division of the Office of Environment and Heritage, and other stakeholders
- specialist expert heritage advice from staff and consultants.

The Heritage Council disagreed with RMS' assessment. It required a less visually intrusive and more aesthetically pleasing design. The Council is the independent statutory body established to make such decisions.

The requirements resulted in the following changes:

- replacing the truss structure with a box girder structure
- reducing the number of piers
- different shape of piers and headstock
- more sophisticated lighting
- reducing opacity of balustrade and anti-throw screen.

Exhibit 6: Changes to the design



Source: RMS, 2015.

This was a more complex, difficult to build and expensive design than the design proposed by RMS. Nevertheless, it was acceptable to the Heritage Council whereas the original RMS design was not. RMS' own expert confirmed that the changes required by the Heritage Council improved the aesthetics of the completed Walkway.

Ultimately, matters of aesthetics and their impact on heritage values are judgements. The process that the government has established is section 60 approval by the Heritage Council, with Councillors selected for a variety of reasons, including their expertise in heritage.

Issues to consider include the expediency of the truss design in meeting the delivery deadline versus the merit of the design required to be in place for the next 50 or so years in a sensitive heritage-listed location.

RMS advised that it had every reason to believe that it would achieve a prompt approval from the Heritage Council for the preferred truss bridge design. It says the process followed by the Heritage Council of insisting on multiple design changes and providing partial approvals in April and June 2014 and ultimately granting final approval on 21 August 2014 resulted in substantial additional costs for the bridge, none of which RMS believe could in any way have been reasonably anticipated.

The deadline added substantially to the Walkway's cost

It is more appropriate to attribute the additional costs arising from the changed design and approval process to the deadline and the compressed project timetable than to the Heritage Council. These prompted the use of the CBD Alliance discussed above. Even if delivered using the CBD Alliance, the cost of the Walkway would have been lower with a normal timeframe of 20 months because the following costs would have not been necessary:

- additional and ultimately redundant design costs

- significant acceleration costs, including substantial overtime and additional plant and equipment
- temporary works.

Further, the deadline also prevented concurrent delivery with the CBD and South East Light Rail Project, which RMS thought would save millions of dollars.

RMS says that the requirements of the Heritage Council increased the project cost by \$10.6 million of the \$13 million increase from the preliminary business case estimate of \$25 million.

This, however, relies on the assumption that the original design was fit-for-purpose. The Heritage Council, by legislation, is the arbiter of what is 'fit-for-purpose' on a sensitive heritage site like Moore Park and disagreed largely due to its visual impact.

It also relies on the veracity of the preliminary business case estimate and the planned approval timeframe. However, as discussed earlier the preliminary business case estimate was not sufficiently robust and based on a design already rejected by the Heritage Council, and the original timeframe was based on optimistic expectations about the approval process.

A normal sequence would be to settle a design with the Council and the Centennial and Moore Park Trust, estimate the costs of building that design, and undertake a cost-benefit analysis to determine if it is worth building. Due to the deadline, this was not the sequence for construction of the Walkway.

The design's visual impact on the heritage site was always likely to be a major issue. If RMS thought the cost of constructing the approved design in the remaining time was too high it could have raised this with the Minister. Having said this, the then Premier had already publicly committed the government to the deadline.

The predicted cost of the Walkway grew substantially over time

The cost estimate for the Walkway grew from \$10-15 million in September 2013 to \$38 million in August 2015.

Exhibit 7: Albert 'Tibby' Cotter Walkway cost changes over time

Date	Cost	Stage
6 September 2013	\$10-\$15 million, and possibly lower if the Walkway proceeded in conjunction with the light rail project	RMS initial estimate provided to the Minister for Roads and Ports
9 December 2013	\$15 million	TfNSW proposal to the Minister for Roads and Ports
17 February 2014	\$25 million, but RMS is working to a target budget of \$20 million	Estimate provided to Minister for Roads and Ports prior to the public announcement of the project
10 April 2014	\$25 million	Preliminary business case finalised but never signed, and based on the truss bridge rejected in March 2014 by the Heritage Council
10 June 2014	\$35 million	Initial TOC estimate provided to the independent evaluator
29 July 2014	\$35 million	RMS advised the Minister for Roads and Ports on the project cost increase
27 August 2014	\$35.5 million	TOC estimate provided to the independent evaluator
24 November 2014	\$35.5 million	RMS approved TOC for the project
17 December 2014	\$38 million	RMS advised the Minister for Roads and Ports on the project cost increase
12 August 2015	\$38 million	Total estimated cost.

Source: Audit Office research.

Note: these values exclude GST.

RMS was not aware it may have needed Treasurer's approval to enter the alliance

The *Public Authorities (Financial Arrangements) Act 1987* requires agencies to obtain the Treasurer's approval before they enter joint ventures.

NSW Treasury received Crown Solicitor's advice that alliances will normally amount to a joint venture even if the contract specifically excludes this. The implications of this advice have not been communicated to agencies. When the CBD Alliance contract was entered into, RMS was not aware of this advice and did not seek Treasury advice regarding the application of the PAFA Act.

New South Wales does not have a policy or guidelines for alliance contracting, where the need for Treasurer's approval to form an alliance might normally be included. NSW Treasury, as part of the Council of Australian Governments Infrastructure Working Group, assisted with developing the National Alliance Contracting policy. The NSW Commission of Audit Interim Report Public Sector Management of 24 January 2012 recommended that the government consider implementing the National Policy and Guidelines for Alliancing Contracting. The NSW Government is yet to respond to this recommendation.

RMS did not comply with Treasury capital project reporting requirements for high-risk projects

The Walkway was clearly a high-risk project because of the deadline, and it was acknowledged as such in early proposals and the preliminary business case.

According to Treasury Policy & Guidelines Paper TPP04-1 NSW Government Procurement Policy, and the NSW Government ProcurePoint website, when undertaking high-risk projects agencies should provide to Treasury:

- a project appraisal report to demonstrate the business case is properly developed
- a procurement strategy report and pre-tender estimate report to reconfirm the business case prior to calling tenders
- a post-tender review report to reconfirm the business case prior to contract award
- a material variation report when the project cost estimate increased from \$25 million to more than \$35 million.

There is no evidence that RMS reported in this way or received exemptions from these requirements.

Appendices

Appendix 1: Response from Transport for NSW



Our Ref: SO15/14926
Your Ref: PA6567

Mr A T Whitfield PSM
Acting Auditor-General
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001

Dear Mr Whitfield

Performance audit – Albert 'Tibby' Cotter Walkway

I refer to your letter of 14 August 2015 and thank you for the opportunity to respond to the final report for the performance audit on Albert 'Tibby' Cotter Walkway, which was enclosed.

Transport for NSW accepts the Audit Office's recommendations regarding the use of appropriate processes to provide adequate assurance that projects are justified and business cases are sound.

Yours sincerely

A handwritten signature in black ink, appearing to read "TR1".

Tim Reardon
Secretary

11/9/15

18 Lee Street Chippendale NSW 2008
PO Box K859 Haymarket NSW 1240
T 8202 2200 F 8202 2209
www.transport.nsw.gov.au
ABN 18 804 239 602

Response from Roads and Maritime Services



CE15/1429
PA6567

Mr AT Whitfield
Acting Auditor-General
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001

Dear Mr Whitfield

Thank you for your letter of 14 August 2015 requesting Roads and Maritime Services' comments on the Performance Audit Final Report for the Albert 'Tibby' Cotter Walkway.

Roads and Maritime accepts the Audit Office of NSW's recommendations. Please find enclosed comments to the recommendations and responses for clarity.

Roads and Maritime is committed to new requirements consistent with the recommendations of your audit dated 7 May 2015, "*Large construction projects - Independent assurance*". The agency is working with NSW Treasury, Infrastructure NSW and Transport for NSW to achieve full compliance.

We note the final report acknowledges the Heritage Council's requirements increased the direct costs of the bridge. However we maintain the cost increase was not due primarily to the deadline. External delays and scope changes increased costs by \$10.6 million as confirmed by the independent project management consultant, TBH, in its report at Section 7.2.

If you have any further questions, Mr Jeff McCarthy, Director Infrastructure Development, is available on (02) 8588 5700.

Yours sincerely

A handwritten signature in black ink, appearing to read "P. Duncan", followed by the date "14.9.2015".

Peter Duncan
Chief Executive

Encl.

Roads & Maritime Services

Level 9, 101 Miller Street, North Sydney NSW 2060 |
Locked Bag 926, North Sydney NSW 2059 |

www.rms.nsw.gov.au | 13 22 13

Roads and Maritime Services (RMS) response to Recommendations of the Performance Audit – Albert “Tibby” Cotter Walkway

Recommendations

Assuring projects are justified

1) TfNSW and RMS should follow Treasury capital program assurance requirements and before any public announcement of a project:

- a) prepare a robust preliminary business case adequately justifying the project and analysing the costs and benefits of any unusually tight deadline
- b) arrange a Gateway review of the preliminary business case and address issues arising from the review.

Assuring business cases are sound

2) TfNSW and RMS should follow Treasury capital program assurance requirements and:

- a) prepare a robust final business case demonstrating the worth of the project and analysing the costs and benefits of any unusually tight deadline
- b) arrange a Gateway review of the final business case and address issues arising from the review.

Roads and Maritime Services (RMS) accepts Recommendations 1 and 2.

The Audit Office recently carried out an audit on *Large construction projects - Independent assurance: The Treasury, Infrastructure NSW, Transport for NSW, NSW Health, Roads and Maritime Services, Sydney Trains, Venues NSW, Department of Primary Industries* (dated 7 May 2015), auditing the requirements and practices on assurance processes within RMS.

RMS accepted the findings of this report in May 2015 and is committed to the implementation of revised processes between RMS, Transport for NSW (TfNSW), Infrastructure NSW (INSW) and NSW Treasury.

RMS met with INSW to discuss the investment assurance process and is working with NSW Treasury, INSW and TfNSW to achieve full compliance.

Assuring economical construction

3) RMS should, for future alliances:

- a) liaise with Treasury to determine if the Treasurer's approval for the alliance is required
- b) ensure it effectively implements assurance processes as per its alliancing guidelines
- c) comply with relevant Treasury capital project reporting requirements.

RMS accepts Recommendations 3) a) and 3) b).

RMS accepts Recommendation 3) c).

RMS is committed to complying with reporting requirements. RMS reports to NSW Treasury via TfNSW, through the Major Capital Project Report System (MCPRS). NSW Treasury and the Department of Premier and Cabinet nominate projects to be reported under the MCPRS. The Albert Tibby Cotter Walkway was not a nominated project.

RMS is working with NSW Treasury, INSW and TfNSW to develop a streamlined process to report on requirements outlined on Page 21 of the Audit. RMS expects the new gateway process proposed by INSW will capture these requirements.

RMS' high profile and high risk projects are now well defined and agreed by cabinet. These are NorthConnex, Easing Sydney's Congestion package, and the Pacific Highway Woolgoolga to Ballina upgrade.

The Treasury circular was written in 2004, and RMS expects Treasury will soon update it reflect the new INSW process.

Roads and Maritime Services' (RMS) Response to the Performance Audit Final Report

As part of the performance audit carried out by the Audit Office of NSW (Audit Office) on the Albert 'Tibby' Cotter Walkway, RMS received the Audit Office Final Report dated 14 August 2015. The Audit will be tabled in Parliament on 17 September and RMS considers the following statements require a response.

Page	Audit Office Statement	RMS Comments
3	It is more appropriate to attribute the additional costs to the deadline and the compressed project timetable.	<p>This statement ignores the impact the change in design had on the project cost. The Audit Office's own report states:</p> <p><i>"The Heritage Council ... required a less visually intrusive and more aesthetically pleasing design... The requirements resulted in the following changes:</i></p> <ul style="list-style-type: none"> • replacing the truss structure with a box girder structure • reducing the number of piers • different shape of piers and headstock • more sophisticated lighting • reducing opacity of balustrade and anti-throw screen. <p><i>RMS' own expert confirmed that these changes improved the aesthetics of the completed Walkway. It is clear, however, that this was a more complex, difficult to build and expensive design."</i></p> <p>RMS' preferred design was developed in collaboration with the NSW Government Architect, Heritage Division, heritage advisors Godden Mackay Logan, architectural and landscape designers Hassell, and the SCG Trust, Centennial Park and Moore Park Trust. This would have been the preferred design regardless of the project deadline. All supported the truss bridge design, which could have been built within the timeframe and cost estimate range.</p> <p>The Heritage Council requested detailed changes on separate occasions including in the final design stage when RMS was advised the Heritage Council was delaying approval as it wanted the piers moved 80cm. RMS considered this change extremely detailed and expensive and the Heritage Council withdrew the request.</p> <p>The independent project management consultant, TBH, confirmed in its report at Section 7.2 that external delays and scope changes increased costs by \$10.6 million.</p>
3	It also prevented concurrent delivery with the CBD and South East Light Rail project, which RMS thought would save millions of dollars	<p>This is not correct. The concurrent delivery of a pedestrian bridge was only viable when the crossing of Anzac Parade by the CBD and South East Light Rail project was being considered as a viaduct. The viaduct proposal did not proceed.</p>
10	The cost estimate used in the preliminary business case was for a design which had already been rejected by the Heritage Council.	<p>This statement is not correct. The cost estimate was prepared in January and February 2014 based on the truss bridge submitted to Heritage Council in March 2014.</p>
11	It is not clear who initiated the decision to build the walkway by the World Cup.	<p>On 26 February 2014, the NSW Premier announced the NSW Government's intention to complete the walkway in time for the ICC World Cup. RMS provided this media release to the Audit Office.</p>

Page	Audit Office Statement	RMS Comments
11	<p>In response to the Minister's request, RMS advised that:</p> <ul style="list-style-type: none"> • RMS supported a pedestrian bridge being considered concurrently with the light rail project • Delivering the pedestrian bridge with light rail would bring savings of millions of dollars • the estimated cost of the bridge would be between \$10 and \$15 million 	<p>The advice provided in September 2013 was based on preliminary cost information and did not include the full scope of work expected to complete the project. It was also prepared when the light rail crossing of Anzac Parade was to be a viaduct, and the combined construction of the bridge was considered.</p> <p>The Environmental Impact Statement for the light rail project (displayed in November 2013) outlined the option for either a tunnel or viaduct over Anzac Parade at Moore Park. The project Submissions Report (published in March 2014) confirmed a tunnel would be adopted for the crossing of Anzac Parade.</p> <p>These dates demonstrate TfNSW was considering a viaduct option for the light rail project at the time RMS provided advice to the Minister.</p>
12	<p>The conditional approval allowed RMS to undertake site set up works. Approval to commence ground enabling works was granted on 20 June 2014.</p>	<p>The conditional approval issued on 16 April 2014 prevented RMS from starting construction. Approval to commence ground-enabling work did not occur until 42 days after the REF was determined on 9 May 2014.</p> <p>The 20 June 2014 letter also required RMS to further develop the structural design of the helical ramp to reduce its visual impacts. This was another additional requirement that further prolonged the approval process and tightened the available timeframe to complete the work.</p> <p>The Heritage Council only granted final approval on 20 August 2014.</p>
14	<p>Due to the tight deadline, RMS decided to seek community and stakeholders feedback on the proposed bridge location and design through the REF process.</p>	<p>This is a statutory process and is consistent with required levels of public consultation for projects.</p>
16	<p>Research shows that alliances are generally more expensive than some alternative procurement strategies.</p>	<p>RMS maintains an alliance was the correct procurement method for this project. The Audit Office's own report states:</p> <p><i>"An extension of an existing alliance was probably the only way RMS could meet the deadline.</i></p> <p><i>"RMS engaged an independent project management expert who reviewed and endorsed the approach to use the existing alliance for the Walkway."</i></p>
19	<p>It is more appropriate to attribute the additional costs arising from the changed design and approval process to the deadline and the compressed project timetable than to the Heritage Council.</p>	<p>As per RMS' response above, this statement does not consider the impact the change in design had on the project cost.</p> <p>The claim parallel design costs would not have been incurred is not correct. At time of submission and if on a 'standard' procurement process, an advanced level of design is required to be submitted to the Heritage Council, as advised by Heritage Division.</p> <p>RMS' preferred design, based on the extensive consultation from stakeholders and industry experts, was the truss bridge option. RMS considers a major component of the cost increase arose from the change in bridge type required by the Heritage Council as part of the requirement for approval. The deadline had no impact to RMS' preferred design. The Audit Office's report states:</p> <p><i>"This was a more complex, difficult to build and expensive design."</i></p>

Appendix 2: Moore Park listing on the NSW Heritage Register

Centennial Parklands comprise Centennial Park, Moore Park and Queens Park.

Statement of significance:

Centennial Parklands is a unique place of exceptional National, State and Local heritage significance. It is a grand, linked open space of largely nineteenth-century landscape design intended for social and physical activity.

The Parklands has developed at the head of the Botany Bay catchment in an area originally part of the territory of the Gadi people on lands designated in 1811 as the Sydney Common. The Parklands retains evidence of the original landforms and plays a vital role in sustaining natural processes and biological diversity on a scale that is rare in the inner urban environment.

The Parklands has national significance as the place of the inauguration of the nation, the creation of a People's Park, events, persons and monuments of national importance. The place also has strong associations with convict heritage, pathways and transportation routes, water supply, horticultural and agricultural experimentation, nature conservation, military use, and a diversity of sport, recreation and cultures.

Source: NSW Heritage Register.

Appendix 3: About the audit

This audit assessed whether Transport for NSW (TfNSW) and Roads and Maritime Services (RMS) adopted appropriate processes to provide adequate assurance that the Walkway project represented value for money. In particular, it examined whether these agencies adopted appropriate processes to provide assurance that the:

- Walkway was justified
- Walkway's business case was robust and demonstrated it was value for money
- Walkway's construction was managed effectively and it was built economically.

Scope

The audit focused on:

- role of TfNSW and RMS in planning, developing the business case, obtaining necessary approvals, following the government procurement process and managing the construction of the Walkway
- the period from late 2013 to June 2015.

Audit exclusions

The audit did not examine:

- appropriateness of the selected technical solution of the walkway
- whether the walkway has achieved the expected impact on safety and traffic flow.

Audit approach

The audit team acquired subject matter expertise through:

- interviews with relevant staff in RMS and TfNSW
- examination of relevant documents, including legislation, policies, strategies, guidelines, procedures, reports, reviews, business cases and plans
- consultations with representatives of key stakeholders
- research into better practices.

Audit selection

We use a strategic approach to selecting performance audits which balances our performance audit program to reflect issues of interest to Parliament and the community. Details of our approach to selecting topics and our forward program are available on our website.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing, and to reflect current thinking on performance auditing practices. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by Transport for NSW and Roads and Maritime Services. In particular we wish to thank our liaison officers and staff who participated in interviews and provided material relevant to the audit.

Audit team

Bettina Ocias and Andrew Gill conducted the performance audit. Kathrina Lo and Rod Longford provided direction and quality assurance.

Audit cost

Including staff costs and overheads, the estimated cost of the audit is \$199,000.

Our vision

To make the people of New South Wales proud of the work we do.

Our mission

To perform high quality independent audits of government in New South Wales.

Our values

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

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Level 15, 1 Margaret Street
Sydney NSW 2000 Australia

t +61 2 9275 7100

f +61 2 9275 7200

e mail@audit.nsw.gov.au

office hours 8.30 am–5.00 pm

audit.nsw.gov.au

