

Purpose

The purpose of this policy is to state Melbourne Water's position on determining Financial Security and other risk mitigation measures to ensure Developer Instigated infrastructure works outside the immediate control of Melbourne Water is completed within agreed timeframes and to the specified standards.

Scope

This policy relates to the determination and process of obtaining and releasing Security (in the form of a Bank Guarantee or Cash Bond) from Developers to Melbourne Water to ensure Developer Instigated infrastructure works are completed within agreed timeframes and to the specified standards.

Determining Security Requirements

When preparing Works Offers, Melbourne Water staff consider what financial hold is required to ensure Melbourne Water assets are completed in a timely manner and to an acceptable standard.

In most instances, Melbourne Water will be reimbursing the developer upon completion of the works. The Developer will also be completing the works in association with their own development and will seek a Statement of Compliance (SOC) for the associated subdivision. Reimbursements and unreleased SOC typically provide adequate security to ensure that the developer completes Melbourne Water's work.

However on some occasions developers may construct the works at their own cost (for example: altering an existing asset to cater for the subdivision) or the Developer is constructing the works independent of any stage of development, in lieu of paying contributions or building temporary works such as an outfall drain. For these situations, Melbourne Water must obtain a security bond from the developer to be used as a financial incentive to complete the works to Melbourne Water's or Councils satisfaction.

Key Scenarios

1. For non-reimbursable works independent of any stage of Development

A bond or bank guarantee (with no sunset clause) shall be held for the full value of the works = construction value of the Melbourne Water required works (civil & planting) + associated engineering fees (Refer to [Engineering Fee Calculator](#)) until the works are complete and off defects or removed.

Note: In line with typical Melbourne Water defects liability period retention amounts, this could be substituted for a lesser bond upon issuance of Practical Completion by Melbourne Water. For works supervised by council, the full bond could be refunded upon confirmation that works have been completed and the asset is under Council ownership and maintenance. See [Retention Section \(below\)](#)

2. For non-reimbursable works associated with a stage of Development

The Works Offer will state the requirement for a bond or bank guarantee (with no sunset clause) if Statement of Compliance is requested prior to full completion of the works. The Security requirement could be in the form of a new works offer linked to a subsequent stage of

development (if available) OR Security (bond or bank guarantee with no sunset clause) to the amount equal to 100% of the value of works remaining to be completed on site, eg: total cost of works – less value completed to date. Note in calculating the security amount, Melbourne Water will also consider typical retention amounts that are held during defects liability periods, See [Retention Section \(below\)](#)

3. For reimbursable works independent of any stage of Development

No security is required prior to works commencing.

The unpaid reimbursement on completed value of works forms the security for these projects.

- For pipes and structures: retention = 10% of value of completed work
- For earthwork and rockwork: retention = 20% of value of completed work
- For planting: no progress reimbursement is to be paid until Practical Completion is issued.

Once Practical Completion is issued, the retention amounts can be reduced to the typical amounts that are held during defects liability periods, See [Retention Section \(below\)](#).

4. For reimbursable works associated with a stage of Development

No security is required prior to works commencing.

The unpaid reimbursement on completed value of works forms the security for these projects.

The Works Offer will state the minimum extent of works that is to be completed before the Statement of Compliance can be requested.

- For pipes and structures: retention = 10% of value of completed work
- For earthwork and rockwork: retention = 20% of value of completed work
- For planting: no progress reimbursement is to be paid until Practical Completion is issued.

Once Practical Completion is issued, the retention amounts can be reduced to the typical amounts that are held during defects liability periods, See [Retention Section \(below\)](#).

Retention amounts required during Defects Period

Prior to the issue of Practical Completion, the following retention amounts must be in place during the entire defects period, either in the form of a Security Bond or retention of reimbursement:

- For pipes and structures: retention = 5% of asset value (reimbursement amount for reimbursable works)
- For earthwork and rockwork: retention = 10% of asset value (reimbursement amount for reimbursable works)
- For planting: retention = 50% of value (reimbursement amount for reimbursable works)

Note: An additional 25% of the planting retention may be paid 12 months into the defects liability period, subject to plant establishment progressing to a satisfactory standard.

Administration

When submitting bank guarantees/bonds to Melbourne Water or requesting their release, please complete the appropriate security form found in Appendix A and B, accompanied by a copy of the Works Offer and tender schedule and forwarded to Melbourne Waters Commercial

Security and Retention for Developer Instigated Works



and Technology Services team. The Finance Officer will perform a quick check to verify that the correct value has been lodged and advise the relevant Development Services Officer.

Definitions

Reference	Definition
ABN	Australian Business Number
Melbourne Water Ref:	Land Development No e.g. LD123456 or Melbourne Water Case No. e.g. MWA - 123456

Stakeholder Consultation

UDIA and ALDE have been advised of the policy ahead of its publication on the Melbourne Water website. Consent has been obtained via the UDWAG Technical Meeting April 2018.

Security and Retention for Developer Instigated Works



Appendix A: Lodgement of Bond/Bank Guarantee

To Melbourne Waters Commercial and Technology Services team, PO Box 4342
Melbourne, VIC, 3001, AUSTRALIA

FromDeveloper.....

Please find attached the Bank Guarantee lodged for the above works.

Contract Number (If applicable)	
Developer Name	
ABN: #### ## #	
Contact Name	
Address	
Description of Works/Services/Project	
Project Title, Section ## - MW-xxx-xxxxx (LDxxxxxx)	
Civil Works – Pipelines and Rockwork - \$x,xxx (##%) (Delete if not applicable)	
Civil Works – Earthworks - \$x,xxx (##%) (Delete if not applicable)	
Landscaping Works - \$x,xxx (##%) (Delete if not applicable)	

In agreement with Melbourne Water, the developer (XXXX) for the above works has submitted a Bond/Bank Guarantee of \$x,xxx as outlined in the Works Offer for (Project Title, Section ## - MW-xxx-xxxxx (LDxxxxxx) xxxxx Estate Stage ##).

Please contact me on ph: 04xxxxxxxx with any queries.