

## APPENDIX D

# Reasons projects change

FIGURE D1: **Reasons why timeframes, costs and scope may change**

Reason	More information
Supply chain disruption and changing resource costs	With energy and commodity prices increasing, the cost of key materials in the construction industry, and shipping them to Australia, has also increased. If contractors use current prices to budget and prices rise more than they have tendered, the government may need to pay more than the original budget to compensate. In other cases, entities save on originally budgeted costs and the TEI drops.
Labour market	Government investment in construction has increased at the same time as delays and disruption to projects because of the COVID-19 pandemic and extreme weather events. The combination has increased pressure on available resources, workers and materials.
External factors	A wide range of skilled workers are in short supply, particularly in regional areas. Pandemic travel restrictions also limited the opportunities for overseas workers to come to Australia.
Land acquisition and environmental impact	Entities may need to revise project plans if site issues arise. Some capital projects are dependent on the purchase of land, and delays can occur during that process. Other delays or costs may occur if a contractor finds that buildings or land require remediation (for example, additional costs for Royal Victorian Eye and Ear Hospital redevelopment for asbestos removal). Or construction on a site could potentially affect the habitat of an endangered species (for example, MTIA changed its plans for the Hurstbridge Line Upgrade when residents found it would affect the habitat of the Eltham Copper Butterfly).
Staged budget funding	In some cases, government receives project funds in stages. Some projects (for example, Melbourne Park redevelopment) name each stage as a separate project. Others (for example, Western Plains Correctional Centre) alter the TEI as the project moves from one stage to the next. We show both types of variances in our Major Projects Performance dashboard. Some entities explain the reason for the variance in the project description or the BP4 footnote on each project page.
Location numbers increase	Some projects rollout similar 'units' at various locations over time, and when the number of locations increases, so does the TEI (for example, Car Parks for Commuters and Level Crossing Removal).
Administrative	Entities sometimes change the TEI of a project in line with accounting standards—more often because they reclassify costs as operating expenditure instead of capital. The TEI of some programs changes because DTF considers them rolling programs of works that evolve year by year.

Source: VAGO.