



COST MANAGEMENT GUIDELINE

Nova Scotia Department of Seniors and Long-Term Care

Final

November 2025

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REVISION HISTORY

Ver.	Description	Approved By	Date
0.0	Initial Release		30 September 2025
1.0	Final Version		20 November 2025

PART 1 – INTRODUCTION

1.1 OBJECTIVE

The objective of cost management in the Seniors and Long- Term Care (SLTC) bed builds program is to develop, monitor and manage project costs in order to:

- Support successful projects in being on budget.
- Embed a Value Engineering (VE) mindset to make cost conscious decisions throughout the project.

The purpose of this document is to introduce cost management to Service Providers, set out minimum requirements for the management and reporting of the project costs by Service Providers/ Project Managers, and share guidelines on the cost management process for the understanding of Service Providers, their partners and Project teams. For those Service Providers who have not recently completed a major capital project, *Part 2* of this document also serves as a background on effective integrated change control.

As the Project Sponsor, it is SLTC's responsibility to approve the capital budget and associated mortgage draws, but it is the responsibility of the Service Provider to ensure that the project is managed within the approved budget.

Service Providers should expect that their Project Manager will bring with them their own detailed cost management processes. *Part 2* of this document is intended to lay out leading practices that would be expected for projects of this level of complexity and should align with the processes of the chosen Project Manager. It is the purview of the Service Provider to determine the level of specificity included in your Request for Proposal (RFP) documents for the Project Manager for their cost management process. At a minimum, the Project Manager RFP documents should include the minimum requirements stated in this document to ensure their pricing includes the deliverables and accountabilities detailed in the Facility Development Approval Process (FDAP).

1.2 APPLICATION

This *Cost Management Guideline* applies to all of the Project Sponsor's projects, unless otherwise specified.

1.3 MINIMUM REQUIREMENTS

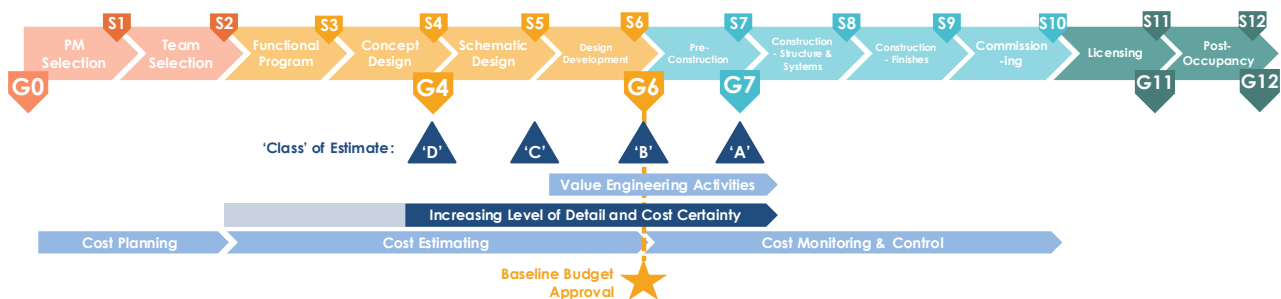
At a minimum, the Project Sponsor expects Service Providers and their Project Manager to:

- Oversee the development of the cost estimates and submit them for approval.
- Conduct the VE process.
- Report costs to SLTC within the Integrate Project Management Package (IPMP).
- Submit complete *Mortgage Draw Submissions*.

1.4 APPLICATION THROUGH THE FDAP LIFECYCLE

As shown in **Figure 1**, the cost management process extends throughout the project lifecycle. For the purposes of this guideline, the cost management process is described using the following phases: cost planning, cost estimating, and cost monitoring and control. VE activities are also described in Part 2 and are understood to be embedded in the phases above.

Figure 1. Cost Management Activities Through the Project Lifecycle



Specific cost management requirements throughout the FDAP lifecycle are as shown in Table 1.

Table 1. FDAP Lifecycle Cost Management Requirements

Step	Gate Approval	Requirement
Step 4: Concept Design and Final Site Selection	Gate 4	Approved Class D estimate
Step 5: Schematic Design	N/A	Approved Class C estimate
Step 6: Design Development	Gate 6	Approved Class B estimate to form the baseline budget and include all funds authorized to execute the project
Step 7: Pre-Construction	Gate 7	Recommend Class A/B estimate

The detailed cost management process, as outlined in *Part 2* of this document, is an iterative and continuing process that requires active management of cost by the Project Manager.

1.5 ROLES AND RESPONSIBILITIES

Individual activities and responsibilities for implementing cost management as shown in Table 2.

Table 2. Roles and Responsibilities

Activity	Actions	Responsible Party
Cost Estimating	<ul style="list-style-type: none"> Oversee the development of project cost estimates 	Project Manager
Perform VE	<ol style="list-style-type: none"> Information Phase <ul style="list-style-type: none"> Analyze information Establish benchmarks Function Analysis Phase <ul style="list-style-type: none"> Define functions & associated costs Prioritize functions Creative Phase <ul style="list-style-type: none"> Generate alternative ideas Evaluation Phase <ul style="list-style-type: none"> Perform cost-benefit analysis Select alternative Development Phase <ul style="list-style-type: none"> Action alternative Develop recommendations Presentation and Approval Phase <ul style="list-style-type: none"> Present alternative proposal Propose change Implementation and Monitoring Phase <ul style="list-style-type: none"> Implement alternative Monitor change Realize value 	Project Manager, Service Provider (Project Sponsor approvals as required)
Monitoring and Controlling Cost	<ul style="list-style-type: none"> Demonstrate through the Gate Review the fulfillment of the previous Step's planned actions and risk outcomes 	Project Manager, Service Provider

	<ul style="list-style-type: none"> • Present the anticipated risk treatment foreseen and actions relating to the upcoming project stage • Obtain concurrence by the Project Sponsor (SLTC) on the risk treatment measures, which should result in the risks being controlled prior to Gate approval 	
Report on Cost	<ul style="list-style-type: none"> • Continuously monitor and report on risk throughout the duration of the project 	Project Manager
Prepare Mortgage Draws	<ul style="list-style-type: none"> • Prepare the mortgage draw based on the monthly submission requirements 	Project Manager
Submit Mortgage Draws	<ul style="list-style-type: none"> • Submit the mortgage draw package on a monthly basis by the 10th of each month 	Service Provider

PART 2 – COST MANAGEMENT

PROCESS

2.1 WHAT IS COST MANAGEMENT?

Cost management is a core component of project controls. Cost management is the process of estimating, budgeting, and controlling costs throughout the project life cycle, with the objective of keeping expenditures within the approved budget. The process is applicable throughout the project lifecycle to ensure that the project is adequately funded. By implementing efficient cost management practices, Service Providers through their Project Managers can:

- Set clear expectations with key partners
- Control scope creep
- Track project progress and respond with corrective actions when needed
- Maintain expected margin and returns on investments while striving to control cost overruns in the project

At the commencement of a project, an early cost estimate is developed, which evolves and matures as more information is developed through the design process, until finally you have a baseline budget. It is critical that capital project costs are managed effectively, from the cost estimate through the management of costs throughout delivery. The following sections define these Steps of cost management across the project lifecycle.

2.2 COST PLANNING

The cost planning involves activities that are related to defining the cost management guidelines for the project, typically occurring during the Pre-Design and Design stages of the project, after the kick-off of Gate G0. A Service Provider may have their own existing internal cost planning processes or governance that is applied or adapted to an FDAP project, or its Board of Directors may direct management to establish a process for the purpose of the project. Thorough cost planning will help ensure that the project is adequately funded and that the project is set up so that Service Providers and their Project Managers can:

- Set clear expectations with key partners
- Control scope creep

- Track project progress and respond with corrective actions when needed
- Maintain expected cost KPIs while striving to control cost overruns in the project

2.3 COST ESTIMATING

A cost estimate is a pricing of project elements that considers the scope, design, specifications, implementation schedule, risk, and any other parameters that might include cost. The project lifecycle begins when the project is identified and given an initial cost estimate. The cost estimate is first introduced in Step 4, at a Class D level of maturity (see definitions of ‘Class’ below). The estimate then evolves to the point where the project is approved with its initial baseline budget, which is at Step 6 / Gate 6. This baseline budget signifies the point where it moves from an estimate to an approved project with a baseline that can be used to track and monitor project changes going forward. The changes to the baseline budget are then managed by the Integrated Change Control process through Step 7 / Gate 7 and beyond.

The Project Manager is responsible for overseeing the development of project cost estimates from Step 4 to 7, which are then approved in the budget through the gating process (Gate 4, 6 and 7). Each estimate is prepared based on the project scope, schedule, resource needs, risks, and constraints, while also considering the consultations and feedback of all key partners. All estimates should be holistic, including both internally owned scope and the scope affected or improved by other parties, regardless of funding responsibility (e.g., possible inclusion of Service Provider funded scope), and including lifecycle costs when required.

Early in a project’s lifecycle there is an inherent uncertainty in the information that makes up the estimate. This uncertainty must be communicated effectively to sufficiently manage partner expectations regarding the intended accuracy of the existing estimate and how the estimate will be refined as the scope and design are advanced. The use of a cost estimating classification system can help improve communication among all the partners involved with preparing, evaluating, and using project cost estimates. This helps mitigate potential misunderstandings of cost estimates and what they are expected to represent. According to the Cost Estimate Classification System guidelines developed by AACE International, an internationally recognized authority on total cost management, there are generally 5 classes of estimates that should be developed over the course of a project.

The AACE estimate class designations are labeled Class 1-5, but they align with Class A-E used by the Canadian Government’s Public Services and Procurement Canada (PSPC) and mirrored by the Royal Architectural Institute of Canada (RAIC). A Class E estimate is based

upon the lowest maturity level of project definition, and a Class A estimate is closest to full project definition and maturity. This “countdown” approach of estimate class numbering considers that estimating is a process where successive estimates are prepared until a final estimate closes the process.

The 5 estimating classes are guidelines only and are not mandatory, as some projects may warrant skipping classes due to lower complexity and/or risk. The Project Sponsor is responsible for validating and determining the number of costs estimating classes required, something that is confirmed during the Gate G0 kick-off.

Estimate classifications also align with the project’s evolution through the FDAP Steps 4 to 7 and Gates 4, 6, and 7 (see the FDAP guidance document for details on the Gate approval governance). For example, the Class C estimate is developed during the Schematic Design in Step 5 and becomes the basis for the baseline budget when approved through Step 5. Table 3 presents the main characteristics of each PSPC estimate class.

The estimate classes are dependent on the current Step of the project and are reflective of the level of accuracy within that estimate, which can help manage partner expectations. Apart from the type of project and the risks involved, the factors affecting cost estimate accuracy include:

- Level of project definition
- Level of familiarity with the project (e.g., access to historical data)
- Complexity of the project
- Quality of assumptions and constraints used in preparing the estimate
- Estimating techniques employed
- Time available to develop the estimate

Table 3. AACE and PSPC Estimate Classes

Class of Estimate (AACE)	Class of Estimate (PSPC)	Project Definition	Purpose	Type of Estimate	Expected Accuracy range	Basis of Estimate
Class 5	Class E	0% – 2%	Concept Screening	Rough Order of Magnitude – factors based, parametric	-50% to +100%	Minimal and preliminary information, utilizing historical unit cost, allowance factors, techniques and conceptual quantity evaluation

Class of Estimate (AACE)	Class of Estimate (PSPC)	Project Definition	Purpose	Type of Estimate	Expected Accuracy range	Basis of Estimate
Class 4	Class D	1% - 15%	Study	Top-down – factor based, parametric	-30% to +50%	Pre-design or Concept design with general outline
Class 3	Class C	10% - 40%	Baseline Estimate	Top-down, semi-detailed unit costs (baseline budget)	-20% to +30%	Preliminary design with outline specifications, and an early understanding of the site, risks, schedule and resource constraints
Class 2	Class B	30% - 75%	Control Budget or Tender	Bottom-up Estimate, detailed unit costs with quantity take off	-15% to +20%	Detailed designs and specifications, informed by a review of site conditions, risks, schedule and resource constraints
Class 1	Class A	65% - 100%	Control Budget, Check Estimate or Tender	Bottom-up Estimate, detailed unit costs with quantity take off (control budget)	-10% to +15%	Completely detailed drawings and specifications, finalized to consider any key partners' comments, addenda, site-related issues, risks, or procurement-related matters

The maturity level of definition, roughly indicated by a % of project definition, is a determining characteristic of estimate Class. However, it is the maturity of the defining deliverables that is the determinant, not necessarily the percent.

If the classification system is followed, project approvals can be staged as the project proceeds from a Class D estimate at Step 4, and ultimately to a Class C estimate at Step 5, where the budget is approved (in line with the FDAP Gate approval process). By doing so, the partners will become familiar with the level of accuracy at various stages, including for

example that a Class D estimate at Step 4 / Gate 4 for a project is at the conceptual stages and can have an accuracy range of -30% to +50%.

As project development proceeds, estimate accuracy improves, resulting in a reduction in risk and uncertainty. The resulting continuous refinement in the estimate could lead to additional budget requests and approvals for funding. The estimate classification system ensures that budget approvals are not set based on immature estimates or incomplete scope which can set unrealistic budget expectations and thereby putting undue pressures on project delivery.

2.3.1 Basis of Estimate

As a component of the cost estimate template, a basis of estimate should be included with the intent to clarify the scope covered by the estimate, the structure of the estimate, the technical and commercial conditions under which the estimate was formulated, and any assumptions used in its preparation. A typical Basis of Estimate may refer to the following items:

- Scope
- Purpose
- Description – brief description of project, contract, services covered, etc.
- Method – how the estimate was prepared (i.e. measured quantities, unit rates, etc.)
- Exclusions – specific items not included in estimate that may be construed as being incorporated
- Assumptions
- Qualifications
- Clarifications – list of items that may need further clarification
- Specifications
- Elements of cost
- Cost base – base year costs
- Allowances
- Taxes and duties
- Escalation
- Relevant supporting documents

2.3.2 Allowances

When discussing contingency, it's also important to differentiate it from other project allowances. Standard allowances and their intentions are listed in Table 4.

Table 4. Allowance Definitions

Allowance	Intention
Contingency	To account for unexpected but possible risk events – “known unknowns”. Examples include change in design, weather delays, permit delays etc.

Design Development	To account for estimates based on incomplete drawings, allowing for growth in quantities due to design development or changes in rates or costs due to specification change.
Escalation	To account for inflationary impacts, applied to different project costs according to their Canadian CPI.

2.3.3 Contingency

Contingency is a project allowance intended to account for ‘known unknowns’ in a project – risks you know could occur but aren’t sure if or when. At its simplest, contingency can be applied as a percentage allowance of construction or total project costs that is carried within the project budget, and this method is acceptable for FDAP projects.

Leading practice for contingency calculation involves moving from a percentage allowance to a risk-based calculation. Building off the *Risk Register*, risk-based contingency allocates a cost to each risk, multiplied by the probability of that risk occurring, to create a total allocation covering all risks. With the direct linkage to risks, there is the ability to claw back contingency that goes unused for unrealized risks, allowing one to either allocate money to other projects or hold the money in reserve for potential change orders. Service Providers can work with their Project Manager to determine the best methodology for contingency calculation for their project. The transition between estimate classes is captured in the contingency amount through increased design development as the project is further defined and cost estimates move from one class to another during Steps 4 to 7.

2.3.4 Escalation

Escalation is the anticipated change in estimated costs related due to inflation and changes in market conditions. The escalation factors used differ depending on the nature of the cost, be it materials, equipment or labour.

In capital projects, most cost estimates prepared are in constant dollars. Constant dollars are dollars of uniform purchasing power exclusive of inflation. For example, you would make a cost estimate in 2025 constant dollars, with an inflation allocation that would translate the 2025 constant dollar costs into the real dollar costs in the year in which it is spent. It is the responsibility of the Project Manager to ensure adequate escalation is included in any budget submission. All estimates will make provision for the difference between the estimated cost at the time the estimate is prepared and the previously estimated cost in the original control estimate.

The appropriate escalation factor(s) would typically be determined by the Finance team as the best assumption given current and forecast economic conditions. Different rates can be used in budget submissions where necessary if other inflation streams are justified.

2.4 VALUE ENGINEERING

VE is a systematic approach to improving the value of a project by analyzing its functions and seeking alternatives that reduce costs without compromising performance, quality, or sustainability.

The primary objectives of the VE activities include:

- **Performance Improvement:** Enhance the functionality and efficiency of how the project delivers its function without necessarily increasing costs.
- **Cost Optimization:** Identify and eliminate unnecessary expenses while upholding quality and performance standards.
- **Quality Maintenance:** Safeguard the essential quality requirements, ensuring reductions in cost do not compromise the final output at the approved specifications.
- **Innovation Encouragement:** Promote creative thinking and the exploration of alternative solutions beyond traditional approaches.

VE principles should be embedded throughout the cost estimating process so that any assumptions are challenged by the Project Manager and Project Team members as they are made to ensure the most cost-effective decisions are made. Doing so reduces the risk that project cost estimates don't balloon outside of an acceptable funding envelope, and it reduces the risk of exposure to unforeseen market pricing for specialized deliverables, equipment or finishes that create budget challenges during the tendering Step. To give confidence to the Service Provider and the Project Sponsor, VE activities, decisions and successes that occur through the cost estimate development should be flagged by the Project Manager

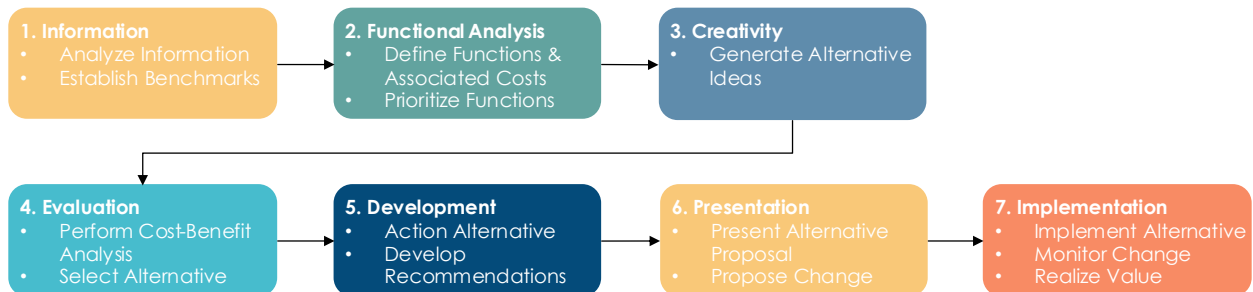
Although VE activities are encouraged throughout the design process, there are certain triggers in an FDAP project where the Project Sponsor requires a detailed VE deliverable. If a project, when going through tendering in Step 7, shows a Class A/B estimate that indicates a pressure >5% from the Approved Construction Budget, then a formal **Value Engineering Report** is required.

2.4.1 VE Process

The FDAP does not prescribe a particular VE process, as the Service Provider should work with their Project Manager to determine an appropriate path for the project. Detailed in

Figure 2 is a typical VE process that should be reflective of what Project Managers will follow.

Figure 2. Summary of VE Process



1. Information Phase

- Conduct a thorough review of project documentation, including design plans, specifications, and cost estimates.
- Identify functions of key components or systems within the project.
- Gather baseline performance and cost data to establish benchmarks for analysis, incorporating input from the Project Sponsor and other relevant partners for benchmarking data.

2. Function Analysis Phase

- Evaluate the purpose and utility of each project element, separating core functions (those necessary for performance) from secondary functions (those that are non-critical or redundant).
- Understand the cost associated with each function and identify high-cost/low-value areas for further analysis.

3. Creativity Phase

- Develop alternative ideas, methods, equipment, or finishes to perform the same functions more cost efficiently.
- Use brainstorming techniques and cross-functional team input to generate innovative solutions to reduce costs while maintaining functionality.

4. Evaluation Phase

- Assess the feasibility and potential benefits of each alternative solution.
- Use detailed cost-benefit analysis to identify options that deliver the highest return on investment without jeopardizing performance, quality, or safety.

5. Development Phase

- Refine the selected alternatives into actionable solutions, complete with technical specifications, implementation schedules, and cost details.

- Develop recommendations outlining how the alternatives will achieve cost savings while still meeting overall project goals.

6. Presentation Phase

- Present the final *Value Engineering* Report to the Project Sponsor for review and approval, using the *Value Engineering Coversheet* (see Appendix O) and any required supporting documents.
- Ensure all recommendations are aligned with the overall project vision, objectives, and the Project Sponsor's requirements.

7. Implementation Phase

- Incorporate the approved VE recommendations into updated cost estimates in the *Project Plan* and track their implementation.
- Regularly monitor the impact of these measures on cost, quality, and performance.

2.4.2 Tools and Techniques Supporting the VE Process

The techniques below can be used to support the analysis of the information and functional analysis in the VE process:

- **Pareto Analysis (“80/20 Rule”):** Identifies the 20% of elements that may contribute to 80% of costs, focusing attention on high-impact areas for maximizing value.
- **Benchmarking:** Compares project costs, methods, and outcomes to industry standards to identify areas for improvement.
- **Sensitivity Analysis:** Tests the effectiveness of alternatives under various scenarios to ensure their robustness.

2.5 COST MONITORING AND CONTROL

A key aspect of managing the budget is the ongoing forecasting and evaluation of project costs. Having established the project budget, cost control involves identifying the amount actually spent, the amount committed (i.e. purchase orders raised) and the amount forecasted still to be spent for each expense line, or ‘estimate-to-complete’. These 3 kinds of costs should be added together and compared to the budget to identify any forecasted under or over-spend.

The majority of budget problems arise from finance functions “accruing to budget” for projects such that overspend is only identified when it happens rather than in advance when something can be done about it.

In the instance that all financial information is recorded and maintained in one management tool, the budget review may be as simple as running a report to compare actual expenditures against budgeted expenditures. Often, information will need to be collated from multiple tools or systems. The Project Manager should use whatever tools are available to capture all of the expenditures paid to date, including all expenses related to labor, equipment and material.

The following topics relating to managing the budget for a project are discussed in the subsequent sub-sections:

- Controlling Budget Growth
- Budget Changes
- Managing Payments

2.5.1 Controlling Budget Growth

Not much happens on a project that doesn't relate to the budget. During the execution of a project, the Project Manager should be aware of actions or decisions that could extend the budget (i.e., budget growth).

Part of the challenge of keeping budget under control is a Project Manager knowing when adding a deliverable or activity will adversely affect the project more than additional benefits can compensate. Particular attention should be paid to managing the factors that create budget changes and controlling the impact caused by the budget changes. Table 5 displays some of the more common sources of impact, along with example processes for dealing with them.

Table 5. Common Sources of Impacts

Source of Impact	Example Processes for Dealing with Sources of Impact
New Functionality or Deliverable Requests	Using a change request form will help identify the benefits and costs of the change and help facilitate communication of costs and other adjustments to the Project Sponsor.
Shortened Deadline	Additional resources may need to be requisitioned. A resource requisition form can be used to outline costs, duration, and required skills of the requested resource, as well as how soon the person is needed. A Gantt chart can help illustrate the benefits (or problems) and identify areas in the timeline that can help absorb the impact.

Source of Impact	Example Processes for Dealing with Sources of Impact
Improved Product or Deliverable Performance	Create a proposal outlining benchmarks to be used for identifying specific areas where additional time and effort investments would improve the final product. Be wary of this type of request, however, as it will usually increase activity time. A staged release of the final product/deliverable should be explored to incorporate changes of this nature.

Any potential changes to the budget should be discussed with the Project Sponsor.

2.5.2 Budget Changes

All requested changes (and other corrective actions) to the budget should be processed through the Integrated Change Control process. By following the Integrated Change Control process, the project is prepared to handle changes before they happen. This allows for modifications to the budget, if required, to be justified and controlled properly.

2.5.3 Managing Payments

The Service Provider is responsible for making applications for progress payments, with the Project Manager supporting the process and submissions to the Project Sponsor. Within SLTC, payment submissions are reviewed by the Infrastructure team and approved by Finance.

2.6 COST REPORTING

Project cost reporting to the Project Sponsor is accomplished using the *FDAP Capital Project Monthly Status Report* (see FDAP Appendix B), but a Project Manager may have more detailed reporting as a part of its monthly communications to the Service Provider.

There are specific measurements of the health of the budget that are necessary for status reporting to key partners, even though the analyses may not be documented in the official status report. The Project Manager should work with partners to determine the budget metrics the Service Provider (and its partners) require as a part of the MSRs, which may be over-and-above those required by the Project Sponsor. Supporting analyses should still be performed every period to support status reporting and MSRs, regardless of whether it is included in the official reports but is also included within the MSR.

The following topics related to budget reporting and the associated analyses for a project are discussed in the subsequent sub-sections:

- Burn Rate

- Actuals
- Forecast (Estimate to Complete)
- Projected Cost (Estimate at Complete)

2.6.1 Burn Rate

The term burn rate refers to the rate at which the budget (and time) allocated to a program or project is being used. This information can be used to identify when work may be going out of scope, cost estimates may be inaccurate, or when efficiencies are being lost during program or project execution. Budget reports provide the data necessary to compute burn rates, along with data from the schedule.

2.6.2 Actuals

‘Actuals’ refers to the tracking of the cost of actual work performed to date on specific tasks or for the overall effort. Actuals reporting should be compiled to contrast and compare the costs estimated or budgeted to the costs incurred. This analysis simply gives the Project Manager a measurement of how much budget remains. The results of this exercise may be necessary for reporting to key partners. This information also supports the calculation of the burn rate.

2.6.3 Forecast (Estimate to Complete)

‘Forecast’ or Estimate to Complete (ETC) refers to the cost required to complete the remaining amount of work on a specific task. This cost is computed by first identifying the work already completed and then estimating the cost required to complete the balance of work remaining on the task. This will require an analysis of the activity durations for the tasks remaining given their current completion percentages. This may require individual discussions with task leaders to understand the true state of the activities. This is important information for key partners to understand, as it gives a projection of the remaining time and associated costs of an effort.

2.6.4 Projected Cost or Estimate at Complete

‘Projected Cost’ or Estimate at Complete (EAC) refers to the total cost estimate for completing a specific task based on information available at the current point in time. It includes the ‘Actuals’ along with the ‘Forecast’ computed above. If the ‘Projected Cost’ is higher than the baseline budget estimate for the task, then the task is over budget at the current point in time.

2.7 COST ANALYSIS

2.7.1 Earned Value Analysis

Earned value analysis refers to a leading practice analytical approach for measuring project or program progress and performance. It utilizes a set of techniques also referred to as Earned Value Management (EVM) techniques. When properly applied, use of EVM techniques can provide early warnings of performance problems. Additionally, earned value analysis helps improve the definition of scope, prevent scope creep, communicate objective progress to partners, and keep the team focused on achieving progress. It is a powerful analytical technique for a program or Project Manager.

Earned value analysis uses a combined measure of progress on scope, schedule, and cost fronts to assess project or program performance. Some key metrics resulting from earned value analysis include Estimate at Complete, Actual to Date, Planned Value, Earned Value, Schedule Variance, Cost Variance, Schedule Performance Index, and Cost Performance Index. Although not explicitly required for FDAP projects, Service Providers should investigate the use of EVM with their Project Manager and Project Team to gain the highest confidence in the ability to deliver a project within budget.

2.7.2 Burn Rate Analysis

As defined earlier, burn rate refers to the rate of budget and/or time consumption on the project. It is a key measure that all Project Managers should monitor to make sure they do not exhaust their budget and scheduled time out of plan. It is also an important method to determine how the drawdown of contingency relates to the overall pace of expenditures on the project.

Typically, the burn rate is calculated as:

$$\text{Project Burn Rate} = (\text{Total Amount Spent} \div \text{Total Budget}) \times 100$$

A trending of burn rate period over period can be used to predict or evaluate the burn rate in the future and determine if there is any risk of the program or project exceeding the budgeted costs or time ahead of schedule. This analysis can also support the determination of the run rate for the effort, meaning the project total cost of the effort. The run rate is the projected actual cost for the entire duration of the effort.

In cases where the burn rate is too low, it offers an indication that there may be too much work left to complete later in the program or project (i.e., 2 months of time may have elapsed, but only 1 month of costs have been incurred). If the burn rate is too high, more time or budget may have been used than expected and the remaining work may be in

jeopardy without the implementation of corrective changes (i.e., 1 month of time may have elapsed, but 2 months of costs have been incurred).

To determine whether a burn rate is too high or low, evaluate the burn rate against the production level of deliverables and percentage complete of total effort to determine if the burn rate is in line with expected (i.e., planned) production levels. This may require some degree of professional judgment.

2.8 MORTGAGE DRAWS

It is the Project Sponsor's objective to ensure timely and accurate processing of a Service Provider's mortgage draw requests throughout the project lifecycle. This section sets clear expectations for documentation, submission timelines, review procedures, and approval criteria so that funds can be released efficiently and in alignment with project progress.

These guidelines apply to Service Providers, Project Managers, and Contractors who request payment for work completed during a specified period.

The aims for applying this guideline are to:

- Standardize the mortgage drawdown process.
- Expedite payment processing.

By adhering to these guidelines, partners can expect a consistent, predictable process that aligns funding with verified project milestones, minimizes administrative rework, and supports successful project delivery.

2.8.1 Requirements

Monthly Submission Requirements

- **Submit Monthly:** Send your mortgage draw submissions to SLTCInfrastructure@novascotia.ca monthly.
- **Email:** Ensure on the subject line the format follows as such, to help with organization and efficient distribution through the shared email account:
 - Subject Line: Mortgage Draw – “*Facility – Month*”
- **Template:** Utilize the provided *Mortgage Draw Submission Template* (appendix N) provided with the FDAP.
- **Deadline:** Ensure the submission is made on a monthly basis by the **10th of each month** to avoid delays in processing and disbursement.
- **Closeout:** The project's final mortgage draw is to be submitted no later than 3 months post-occupancy.

Mortgage Draw Submission Package

- **Complete the *Mortgage Draw Submission Template*:** Be sure to complete all sections accurately (i.e., including any holdbacks, HST rebates, etc.).
- **Supporting Documents:** Attach all necessary support documents, including:
 - Invoices
 - Receipts (e.g., meals and entertainment expenditures)
 - Purchase and Sale Agreements (e.g., purchase of land)
 - Other Relevant Documentation (e.g., contracts or change orders, as applicable)
- **During the Construction Phase of the project, the following supporting documents should also be attached:**
 - Statutory Declaration of Process Payment Distributed by Contractor (CCDC 9A)
 - Valid Construction Safety Nova Scotia Letter of Good Standing
 - Valid Workers Compensation Board of Nova Scotia Clearance Letter
 - Architect on record's recommendation for payment (progress claims) to the GC
 - Certificate of Insurance
- **File Format:** Submit all documents in a single PDF file to ensure easy review and processing.

Eligible Expenditures

- **Project-Related Expenses Only:** Only expenses directly related to the project should be included for reimbursement.
- **Ineligible Expenses:**
 - Expenses that relate to existing facility operations (e.g., Routine janitorial, landscaping, utility bills, ongoing maintenance contracts, non-project repairs).
 - Expenses that appear excessive or unrelated to the project (e.g., Premium-priced purchases without justification, luxury finishes beyond scope requirements, duplicate services).
 - Staff salaries unrelated to the project (e.g., Regular administrative salaries, general management time, or organization-wide overhead that are not directly charged and documented to project tasks).
 - General organizational expenses (e.g., Corporate marketing, fundraising, unrelated training, travel not essential to the project, and general IT subscriptions).

- Costs lacking documentation or clear ties to the scope that cannot be substantiated with contracts, invoices, scope references, and time/material documentation.

Review and Disbursement Process

- **SLTC Review:** Once the monthly mortgage draw submission is received, it will be reviewed thoroughly by both SLTC Director of Finance and Project Executive.
- **Approval Notification:** After the review, if approved, Finance will notify the Department of Growth and Development (DGD) that the draw is ready for disbursement.
- **Disbursement to Lawyer's In-Trust Account:** DGD will issue the funds to the Service Provider's lawyer's in-trust account.
- **Disbursement to Service Provider:** After the lawyer performs all necessary lien and title searches and confirms good standing, at that time funds will be disbursed to the Service Providers bank account.
- **Payment to Vendors:** Service Providers are then expected at that time, or prior if cash flow allows, to pay all vendors for the invoices outlined on the disbursed mortgage draw.

Use of Mortgage Draw Funds

- **Funds for Approved Expenses Only:** The mortgage draw funds are to be used only for the expenses explicitly outlined in the submission. They cannot be used for operational costs or unrelated needs.
- **Timely Payments:** It is expected that all vendors and contractors will be paid on time, according to their payment terms.

General Reminders

- **Submit Monthly:** Submitting the mortgage draw submissions monthly by the 10th day of each month ensures timely turnaround and smooth disbursement.
- **Review for Accuracy:** Double-check the details of your draw request to avoid delays or issues in processing.
- **Be Good Stewards of Public Funds:** As you submit, be sure to keep in mind these are public funds supporting this project. If you're unsure whether an expense qualifies, contact the SLTC Project Manager for guidance before submission and before committing to an expenditure.

- **Lastly, Reach Out if Needed:** If you encounter any cash flow issues at any point during the project or are unable to pay vendors, contact the Project Sponsor to discuss options and find a suitable solution.

Should you have any questions on your mortgage draw submission, feel free to reach out to the **Project Sponsor** for assistance through the SLTCInfrastructure@novascotia.ca inbox.

PART 3 – APPENDICES

- FDAP Appendix B: Integrated Project Management Package (IPMP)
- FDAP Appendix L: Operations Budget Template
- FDAP Appendix N: Mortgage Draw Submission Template
- FDAP Appendix O: Value Engineering (VE) Coversheet
- FDAP Appendix P: Project Change Request (PCR)