

Management Cost Estimate (MCE)

Typically an offset covenant includes a 10-year payment program for the landowner. The owner payment (or security payment) is provided by a proponent during the founding credit trade, in return for the offsets or credits secured by the landowner's registration of an offset covenant. The proponent makes the upfront payment to Trust for Nature, which then holds the funding and distributes it to the landowner in accordance with an agreed payment schedule, provided there is satisfactory compliance with the terms of the covenant and completion of the works set out in the Offset Management Plan (OMP). The payment program acts as security for the current or future landowner to complete the works.

In some situations, Trust for Nature requires the security payment to be provided by the landowner, rather than a proponent. These situations include advanced offsets (where the covenant is registered by a landowner prior to securing a founding trade), or first party offsets (where the landowner and proponent are the same entity). This security payment is then managed as if it was a payment provided by a proponent.

The amount to be held as security is based on the total cost to deliver the works identified in the OMP over the 10 year period. The estimate – known as a management cost estimate, or MCE – must be provided by a qualified consultant, include an annual breakdown of works and their associated costs, and account for inflation. Trust for Nature then uses the MCE to set the security amount

Scope of Works

Preparing the management cost estimate will involve:

- review of the Offset Covenant including the OMP,
- a site assessment, and
- documentation of a cost estimate for the landowner to implement the 10 year OMP in accordance with the offset covenant.

Requirements

Trust for Nature seeks a written MCE report outlining the costs to complete the 10 years of management actions outlined in the OMP. The analysis must be independent of the landowner's personal experience or capabilities, as the property may be transferred to another landowner during the 10-year period who may not be able to do the works themselves. As

such the assessment must be enough to cover the costs to engage third-party contractors to carry out the work.

The management cost estimate must include the annual costs of:

- meeting the landowner's monitoring and reporting obligations
- all management actions required
- any works implicitly required but not explicitly stated in the OMP
- potential new threats in the landscape which may appear and are required to be controlled as 'new and emerging threats'.
- adhering to restrictions in the Conservation Covenant
- capital such as equipment or infrastructure
- works or monitoring which may explicitly be required in the OMP post 10 years
- travel to and from the offset site

The estimate should primarily contain a table showing the costs attributed to the activities in the OMP for each of the 10 years of the active offset management period.

The estimate is to be in today's dollars with indexation per our guidelines below.

The consultant must sign a declaration in the form outlined in Annexure 1 stating that the management cost estimate adheres to the requirements of this brief, and confirming that the consultant recognises that Trust for Nature will rely on this estimate in developing and administering the on-title offset covenant.

Consultant Qualifications

Trust for Nature requires an MCE to be prepared by an independent assessor. This assessment should be prepared with the knowledge that Trust for Nature will rely on the consultant's professional expertise in the preparation of a management cost estimate in determining the required security payment.

Trust for Nature will also review suitability of a consultant to undertake a management cost estimate, based on qualifications and previous experience.

Annexure 1: Cost Estimate

Declaration on Management Costs

Trust for Nature Reference	
Landowner	
Proponent	
Property Address	
Consultant Name	
Consultant Position	
Consultant Company	

1. Scope

- i. Review of Schedule 2 of the Offset Covenant (the Offset Management Plan);
- ii. Site assessment;
- iii. Preparation of a cost estimate for the implementation of a ten-year offset management program; and
- iv. Breakdown of the yearly cost estimates according to the management actions, including indexation.

I have undertaken an assessment of the cost of completing the management actions outlined in Offset Management Plan (document reference, if available) in accordance with the Trust for Nature Management Cost Estimate Guidelines for the abovenamed property.

It is my opinion that these management actions can be implemented for a total cost over 10 years of \$..... . Further detail is provided in the attached cost estimate tables.

I have no conflict of interest regarding the assessment of these management costs.

Signed.....

Date.....

Yearly Costing – Offset Management Plan Actions in today’s dollars (*this can be presented in Excel*)

Year	Management Action from OMP	Type	Daily/Hourly rate (ex GST)	Days/Hours required	Total Cost (ex GST)
1	<i>e.g. Establish perimeter fencing</i>				
	Year 1 total				
2					
	Year 2 total				
3					
	Year 3 total				
4					
	Year 4 total				
5					
	Year 5 total				
6					
	Year 6 total				
7					

	Year 7 total				
8					
	Year 8 total				
9					
	Year 9 total				
10					
	Year 10 total				
	Management Cost Estimate without indexation (Years 1-10)				

Management cost estimate plus indexation (drawn from Yearly Costings table, above)

Year	Annual Management Cost in today's dollars (ex GST)	Indexation amount (3%/year, compounded)	Cost plus indexation (ex GST)
1		3%	
2		6.09%	
3		9.27%	
4		12.55%	
5		15.93%	
6		19.41%	
7		22.99%	
8		26.68%	
9		30.48%	
10		34.39%	
Total cost plus indexation:			

a) Methodology

The following assumptions have been made in the calculations (complete where necessary):

Stock Exclusion:

Weed Control:

Pest Animal Control:

Revegetation:

Biomass Management:

Monitoring:

Reporting:

New and emerging threats:

b) Additional Comments