



LODDON
SHIRE

LODDON SHIRE COUNCIL

PROCUREMENT FOR CAPITAL WORKS DELIVERY

A SMALL RURAL SHIRE PERSPECTIVE



A Brief Background

Ian McLauchlan

- Director Operations, Loddon Shire Council
- Report Areas Include:
 - Engineering & Technical Design
 - Project management
 - Contract management
 - Design & drafting services



A Brief Background

- Works & Infrastructure
 - Plant Replacement
 - Goods, Services & Bulk Materials
 - Annual Service Contracts



- Community & Recreation
 - Pools
 - Playgrounds
 - Recreation Reserves



- Planning, Building, Health

Snapshot of Loddon

- Small rural Shire located in north central Victoria, approximately 30km north west of Bendigo (Nearest Regional Centre)
- Population of just under 8000
- Network of small communities
 - Largest Township population of just over 800
- Relatively low socio economic profile.
- One of the lowest rating Shires in Victoria
- Annual operating Budget of just over \$30 Million
- Large & Diverse Infrastructure Base
 - Seventh Largest Shire in Victoria
 - Covers a geographical area of just over 6700 square kilometres
 - Over 4900 km of local road network
 - Numerous community recreation and public building facilities
 - High value nature based tourism attractions
 - Well developed and widespread agriculture sector



Capital Works Procurement

Discussion Topics:

- Capital Works Delivery in a Rural Environment
- Procurement Challenges for Rural Municipalities
- Project and Quality Management Processes

Loddon Capital Works Profile

- 2014/15 Operating Budget of just over \$32 Million
- Capital Works Budget of over \$10 Million.
- \$2 Million in Plant & Equipment Replacement
- \$5.8 Million in Road Works & Drainage
- \$3 Million in Building, Streetscape and Public Facility Upgrades

Loddon Capital Works Profile

- **\$3.8 Million allocated towards**
 - Gravel re-sheets - \$700K
 - Sealed Road Reconstruction & Upgrade - \$1.4 Million
 - Township Footpaths & Kerb & Channel - \$400K
 - Reseals - \$600K
 - Drainage Improvements - \$350K
- **Streetscape Redevelopments**
 - \$2 Million for Wedderburn
- **Public Buildings**
 - \$2 Million refurbishment & extension of Inglewood Town Hall

Capital Works Delivery

- Procurement and Delivery Objectives:
 - Deliver on time and on budget
 - Get best value for the Shire and other project contributors e.g. local community groups
 - Efficient use of limited public resources
 - Meet regulatory and legislated obligations
 - Ensure quality and safety standards are met
 - Provide infrastructure & services which meet community needs
 - Facilitate as many providers to participate as practical

Delivery Mechanisms

- Traditional:
 - Quotation (dependant on value of work)
 - Tender
 - >150K (Goods & Services)
 - >200K (Capital Works)
 - Selective multiple quotation (3 or more) 20K+
 - Single Quote <20K
 - In-House using council resources

Delivery Mechanisms

- Emerging:
 - Regional Procurement Collaboration & Partnerships
 - Example Joint initiatives
 - Street Light bulk replacement program
 - Regional reseal program
 - Corporate partnerships
 - Cluster Council Models for Operation
 - Emergency Management
 - Waste Management

Exceptional Circumstances

– Flood Restoration Program 2011 - 2014

- Flood Restoration program required delivery of just over \$32 Million in capital renewal works over a 30 month timeframe.
- This represented the equivalent of nearly 7 years of regular capital works delivered by the Shire.



- Still required to deliver regular capital works program.

Exceptional Circumstances

- Floods of 2010/11

- Rapid resource escalation and mobilisation
- Loddon Flood Program Delivery Strategy
 - 50% increase in outdoor staff numbers (Fixed term engagements)
 - \$3 Million short term procurement of additional plant & equipment using cash reserves
 - Establishment of large scale material supply and contractor support engagements
 - Establishment of numerous infrastructure renewal contracts for bridges, sealed roads & drainage repairs
 - Expansion of project & contract management and technical design.

Capital Works Delivery in The Rural Environment

- Program delivery highly susceptible to seasonal and operational conditions e.g. harvest season & weather.
- Relative small program of works comparable to other Regional/Metro Councils.
- A number of challenges in attracting qualified, experienced and appropriately resourced contractors.
- Difficulty in securing required number of quotes due to these challenges.
- Prices subject to loading for travel, accommodation etc.

Challenges for Small Rural Shires

- Project & Contract Management
 - Limitations on internal project management and contract management resources.
 - Ability to attract and retain qualified and experienced staff to manage and deliver projects.
 - Competing time demands for limited resources

Challenges for Small Rural Shires

- Geography/Distance
 - Distance from major metropolitan and regional centres.
 - Large operational area, lost availability of resources due to travel time.
 - Requirement to maintain multiple operational depot's or store caches.
 - Large infrastructure base spread out throughout the Shire.

Challenges for Small Rural Shires

- Procurement
 - Number of available suppliers/contractors can be limited.
 - Ability to establish and maintain complex/sophisticated electronic systems.
 - Working with local suppliers and contractors who also may have limited resources or capacity to meet regulatory and Council requirements.
 - Personnel performing multiple roles and responsibilities, procurement of capital works is spread across the organisation.

Challenges for Small Rural Shires

■ Procurement

- Price spread can be significant and pricing may be inflated due to limited competition.
- Difficulty in sourcing adequate number of quotations to meet procurement policy and legislated requirements.
- Small to medium scale projects limit “buying power”.

Strategies for Delivering Capital Works

- Clear policies and procedures.
- Establishment of approved supplier register.
- Risk based classification of contractors with corresponding prequalification requirements.
- Development of procurement quality management system.
- Major and Minor Projects checklists.

Strategies for Delivering Capital Works

- Documented tendering and quotation protocols.
- Exploration of e-tendering systems.
- Simplification of contract documents and systems where practical for minor works.
- Assistance to local providers in establishing OH&S and quality protocols e.g. JSA systems.
- Regional procurement opportunities.

Strategies for Delivering Capital Works

- Expansion of in-house capabilities and delivery resources.
- Development of forward delivery programs which match in with programmed maintenance cycles.
- Extended contract terms e.g. longer and combined waste management contracts.
- Buy local policies to promote business establishment within the Shire.

Approved Supplier System

- Contractor Prequalification
 - Tiered Approach with escalating requirements
 - Quality & OH&S Systems
 - Insurances
 - Qualifications & Experience
 - Required to be an approved supplier before being engaged.
 - Periodic review of requirements to maintain currency.
 - Prerequisites for consideration for inclusion on register of suppliers built into tender specifications.



Supplier has been Verified

Level 3

Name	ELLWASTE		
Contact Person	David Elliott		
Contact Email	mail@ellwaste.com.au		
Contact Phone No.	5456 2500		
Tier : Classification	3	Waste Management Services	

Health and Safety Questionnaire OR Induction Approved	<input checked="" type="checkbox"/> Tick = Approved	<input checked="" type="checkbox"/> Questionnaire	<input type="checkbox"/> Induction
Licence/Registration Required (Reg: Number)	<input type="checkbox"/> If Yes No. Required	Ex. Date	Doc ID
Licence/Registration (Expiry Date)	<input type="checkbox"/> If Yes Date Required		
Professional Indemnity Required (Expiry Date)	<input type="checkbox"/> If Yes Date Required		
WorkCover Required (Expiry Date)	<input checked="" type="checkbox"/> If Yes Date Required	30/06/2012	166471
Public Liability Level of Cover (Expiry Date)	\$20,000,000	1/10/2014	170726

Job Safety Analysis Returned OH&S System Returned Incident Report System Returned

All

Tier
2
3
4

Tier 3 - 4

[Print Report](#)

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Approved Supplier System

- All purchase orders and contract payments to be accompanied by compliant supplier audit form.
- Support provided to local low risk / low resource suppliers / contractors in respect to obtaining recognition as an approved supplier.
- Database of suppliers monitored regularly to ensure all records up to date e.g. insurances and those not used in last 3 years are identified for potential removal if appropriate i.e. inactive supplier (usually one off procurement).
- Database tied to financial system to enable tracking of spend with each contractor over the financial year.

Project Management Process

- Major and Minor Project checklists which identify various planning and delivery requirements under development and trial.
- Suite of standard Contract Templates, forms and letters.
- Abbreviated contracts for minor works, still providing Council protection in respect of works completed.
- Contract file outline requiring capture and retention of relevant information throughout the project management process.

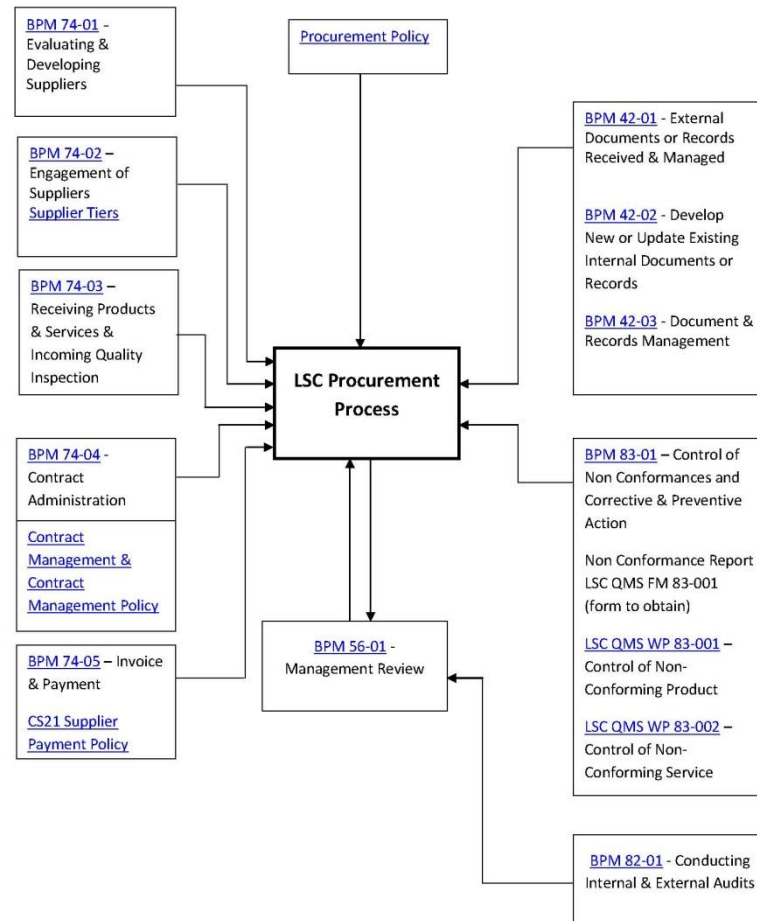
Quality Management Process

LODDON SHIRE COUNCIL

BPM 74-00 PROCUREMENT STRUCTURE

Issue: 2 December, 2011

- Establishment of ISO9001 based procurement system.
- Focus on Procurement process and compliance.
- Simple but robust checklist of actions and requirements.
- Various flowcharts outlining process requirements and linking to specified forms



Quality Management Process

- Establishment of approval process for payment of invoices & issuing of documentation.
 - Contract payments and correspondence to be approved by superintendent (usually Director level).
 - Routine review of contract management performance.
- Levels of authority and delegations established.
- Annual Audit process to review compliance with procurement policy and systems.
- Fraud prevention policy and processes established

Discussion / Questions