

# Procurement for Capital Works Delivery

IPWEA Vic Seminar,

21 May 2014

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Local Government Victoria



# Procurement for Capital Works Delivery

- Legislative responsibilities of Local Government
- Understanding the Best Practice Procurement Guidelines



# Procurement for Capital Works Delivery

## Best Practice Guidelines, Local Government Act 1989: Enabler or Inhibitor?

The myths explored.

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## Local Government Act 1989

- Part 6- Planning and Accountability Reports
- Part 7- Financial Management
- Sec 136- Principles of sound financial management



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## Sec 186 of LGA (1989)

- Thresholds: \$150K for the purchase of goods and services and \$200 K for carrying out of works
- Approved use of Agents - e.g. MAV Procurement, Procurement Australia

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## Further exemptions:

### Sec 186 (5) (c) & Ministerial Powers

*“The contract is entered into in accordance with arrangements approved by the Minister for the purposes of this subsection”*

As a result access is provided to approved State Purchase Contracts, Whole of Victorian Government Contracts and the Construction Supplier Register

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## BEST PRACTICE PROCUREMENT GUIDELINES: Why pursue best practice?

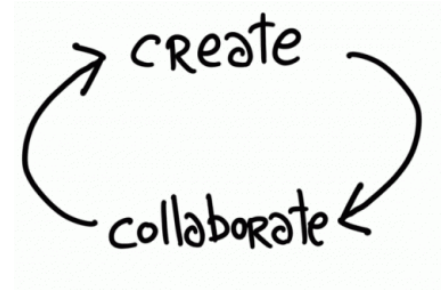
- To achieve value for money and continuous improvement in the provision of services for the community
- To ensure resources are used efficiently and effectively
- To achieve compliance with legislative requirements
- To ensure high standards of fairness, openness, probity, transparency, risk management and accountability
- To minimise the cost of bidding for potential suppliers



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## Are there other ways that the State has enabled or inhibited better procurement outcomes?

- Collaborative Procurement Projects
- Improved Engineering Standards
- Planning, Budgeting and the SRP
- Regional Procurement Excellence Networks (RPEN)
- LGPro Special Interest Group Procurement- LG Specific training
- Online templates





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## Literature on the delivery of Capital Works

“Achieving Civil Infrastructure Procurement Best Practice”

...Matching Civil Infrastructure procurement with Victoria’s needs.

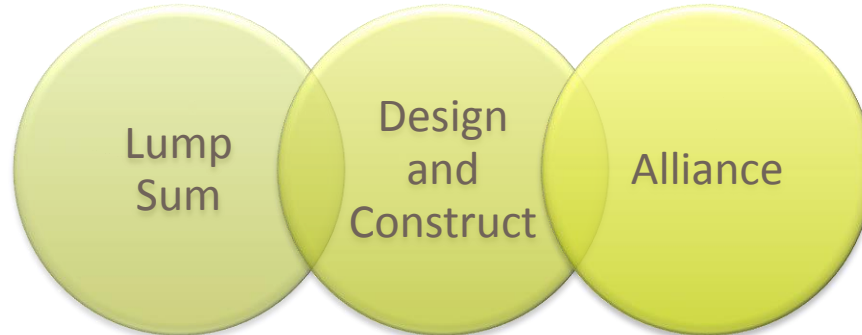
(Interim CCF Procurement Study Report, June 2009, Prepared by Aurecon Pty Ltd)

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## Methods of Procurement

Three primary methods of procurement have been identified as being in popular use.

These are traditional lump sum, design and construct, and alliance methods.



(Interim CCF Procurement Study Report. June 2009. Prepared by Aurecon Pty Ltd)

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**Alternative procurement models include:**

Managing Contractor (MC)

Early Contractor Involvement (ECI)

Public Private Partnerships (PPP)

( CCF Procurement Study Report. June 2009. Prepared by Aurecon Pty Ltd)

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Each delivery method requires careful consideration of criteria such as

**Complexity of the project**

**Urgency between inception to completion**

**Certainty of Price**

**Recourse to unsatisfactory contractual outcomes**

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In assessing these criteria you may have regards to:

- The distribution of risk
- The complexities associated with managing the contract
- The ability of the industry to respond to the selection criteria
- The means by which tenders are to be assessed

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Some early winning steps:

1. Forward planning
2. Pre-qualification criteria
3. Guide to the selection of delivery systems and use of standardised contracts

(Top 3 of 10 recommended tools Interim CCF Procurement Study Report.  
June 2009. Prepared by Aurecon Pty Ltd)

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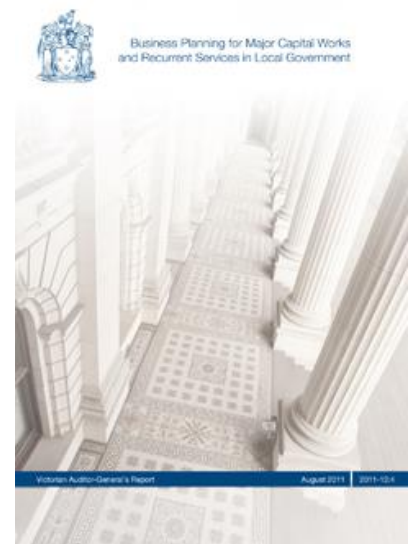
A 2010 Literature Review has identified 9 factors that influence Capital Work procurement...

**And there are no real surprises!**

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## Prevailing Cultures

'The Traditional Lump Sum (TLS) or fixed lump sum is the most common form of procurement for capital works projects described as the norm for fully documented projects for the Victorian Government'



- Factors influencing local government capital works procurement:
- 16 Developing a research agenda (P.Vitartas, M. Flynn, K. Brown & M. D'Lima)



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## External Influences

'This external environment comprises political, legal, institutional, competitive, cultural, technological, environmental, physical and aesthetical aspects'



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## Client Characteristics

'The characteristics of the client such as their objectives and their experience have an influence on the procurement process.'



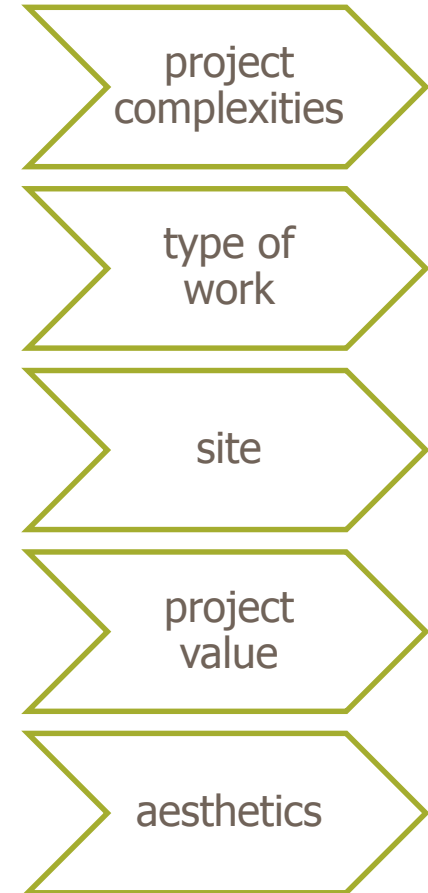
'...traditionally most clients have required projects to be completed on time, within budget and to the highest quality'

Factors influencing local government capital works procurement: Developing a research agenda (P.Vitartas, M. Flynn, K. Brown & M. D'Lima)

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## Project Characteristics

'The characteristics of the project which will include: project complexities, type of work, site, project value and aesthetics'



Factors influencing local government capital works procurement:

19 Developing a research agenda (P.Vitartas, M. Flynn, K. Brown & M. D'Limbo)

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## Monetary factors

'Monetary considerations that have an impact on the procurement process include concepts amongst the procurement industry of value for money, and cost reduction.'

'Particular practices that were influenced by cost factors included innovation, as focussing on the lowest cost is one way that innovation is limited, reducing the opportunity for constructors and designers to be creative.'

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## Perceived barriers towards using a certain method

'High cost, lack of awareness, lack of resources, other priorities, lack of commitment in top management, and time pressures contribute to the perceived barriers of implementing sustainable procurement, with financial issues being the most salient barrier.'



## Perceived benefits of a method

'...it was found that there were perceived benefits towards the adoption of shared procurement services'

Factors influencing local government capital works procurement: Developing a research agenda (P.Vitartas, M. Flynn, K. Brown & M. D'Lima)

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## Organisational Issues

'Organisational factors that have an influence on procurement.



Include the experience of staff, approaches to procurement, procedures used, organisational structure and staff attitudes'.

Factors influencing local government capital works procurement: Developing a research agenda (P.Vitartas, M. Flynn, K. Brown & M. D'Lima)

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## Best Practice Guidelines, Local Government Act 1989:

### Enabler or Inhibitor?

You tell me!

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An alternative question may be...

**How important is leadership in procurement for Capital Works delivery?**



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**I hope this has set the scene for the day ahead of you:**

**Procurement: A rural perspective**

**The CEO's perspective**

**Corruption Protection in procurement**

**Start with the end in mind**

**Commercial and Financial risks**

**Planning and Contract management**

**Sustainable procurement**