

# Procurement of Capital Works ..... a CEO's perspective

*Presented by:  
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to IPWEAvic Seminar – 21 May 2014*

# Outline

- Introduction – Set the scene
- Why all the fuss?
- CEO – Council Executive Expectations
- Success in Planning and Delivery of Capital Projects
- Challenges and Way Forward
- Conclusion
- Questions?

# WHY?

- Compliance
- Good Practice
- Quality Outcomes

# WHY?

- Subject of increasing interest by:
  - the Auditor-General )
  - the Local Government Inspectorate ) in respect of
  - the Ombudsman ) **Compliance**
  - Council's Audit Committee )
- Contractors looking for **Certainty**
- Community looking for **Value**

# WHY?

- Good Business Sense
  - Reputation
  - Equals \$\$\$\$\$ Savings
  - Reduces Work Load
  - Certainty for – Delivery, Community, Planning



# THE DAILY NEWS

## Defence contract leak

# \$500m breach cleared

THE Australian Federal Police has confirmed that it will not investigate defence contractor BAE Systems for a Defence Department security breach.

The company pulled out of a \$500 million communications contract last year after it was revealed two employees leaked sensitive information from the Australian Defence Department's computer system.

The employees passed on details to colleagues that gave them an unfair advantage in the tender for a contract that could have lasted 20 years' work for BAE's terms.

APP systems. Daily Ferguson said the APP can confirm it has not received a referral in relation to this matter.

The AFP's decision comes as serious allegations have been levelled at a former BAE Systems boss.

British authorities are investigating allegations the man accepted two flats in London's ritzy Mayfair district, valued at \$9 million, from people linked to the

### Stephen Drill

Saudi royal family. The former boss allegedly received the flats as a kickback for organising bribes that were paid to the Saudi royal family in exchange for millions in defence contracts, London's *Sunday Times* reported at the weekend.

The Australian Defence Department was ordered to re-tender its communications system for the contract after BAE Systems pulled out last year over security failures.

The contract requires the company to be able to provide communication systems for soldiers in battle, particularly in rugged conditions such as those Australian forces are currently encountering in Afghanistan.

BAE Systems sacked two staff members who passed on the information. BAE Systems spokesman Simon Latimer said the allegations about the former BAE boss went back 2 years and had been fully investigated in the past.

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4 THE AGE  
TUESDAY, JANUARY 25, 2013  
NEWS

## Tax Office bungles \$9 million printing contract

### Private data leaked on website

By NOEL TOWELL

A SERIOUS blunder in the Australian Taxation Office's tender process has derailed a vital

data of one of its contractors on a government website, forcing the Tax Office to start the process from scratch.

The Sydney-based company

fax Media also reveals the damage control exercise the agency undertook late last year with lawyers, probity advisers and independent financial advisers brought in to recommend how to manage the fallout from the blunder.

The three-year contract to

urement website on October 18, 2012 with two potential contractors, Independent Print Media Group (IPMG) and Victorian-based PMP vying for the work.

The job up for tender was the printing and distribution of the ATO's Tax Time material, sent

out the contract, which the company had held between 2009 and 2012, including prices charged and the locations where the work was done.

When the mistake was pointed out by IPMG's probity adviser, the Victorian-based PMP was

FORGED IN FAIR PLAY: The brutal Bodyline cricket series in the summer of 1932-33 helped form the Australian character. WAYNE SWAN COMMENT & DEBATE PAGE 17



## Building regulator boss out the door Watchdog to probe TAFE deal done without tender

Amid serious accusations, contract not renewed

### EXCLUSIVE

By RICHARD BAKER and NICK MCKENZIE  
AGE INVESTIGATIVE UNIT

VICTORIA's building industry watchdog has given the job a mid-calls for a company to investigate a \$10 million contract to a company particularly by his friend, despite his own expert panel advising against the move.

Mr Kefford's contract expires on Sunday and will not be renewed by Planning Minister Matthew Guy, despite indications last month that it was likely to be extended for six months to allow him to oversee the abolition of the troubled Victorian Building and Plumbing Industry Commission and establishment of a new authority.

However, the controversy over Mr Kefford's intervention in a tender process and decision to award Casey Inspection Services a lucrative plumbing audit contract is believed to have been a factor in the timing of his departure.

Fairfax Media can reveal that Mr Kefford also gave Casey Inspection Services another contract last year to inspect the

following the January 2012 resignation of his predecessor, Mr Guy. A spokesman for the commission said the swimming pool contract and one other given to Casey Inspection Services during 2012 were at Mr Kefford's discretion.

In a year of turmoil, more than 12 senior commission figures have left or been forced out amid concerns over the body's regulatory performance, probity and use of public funds.

Ombudsman George Brouwer has been asking serving and former commission staff to investigate Mr Kefford's decision to ignore recommendations by a panel of senior commissioner executives that two other firms should be awarded the three-year plumbing audit and inspection contract ahead of Casey Inspection Services.

4 More than 12 senior commission figures have left or been forced out.

Mr Kefford and Casey Inspection Services' director and part-owner, Peter Lamborn, are close friends.

Another company directed

man Brian Tee, who pursued Guy in upper house quest time on Wednesday over latest controversy to hit commission, said the Casey Inspection Services contract required independent investigation.

In response to a quest from Mr Tee, Mr Guy said department would look at circumstances that led to Casey Inspection Services being given the contract.

But Mr Tee said the issue was serious because of the commission's evaluation panel's rating of Casey Inspection Services as distant third.

"This contract is for ensuring plumbing work, gas fittings, drainage meets required standards. If the company doesn't do its job properly then Victorian families could be exposed to shoddy plumbing," he said.

Mr Lamborn's previous company, Casey Services (Aust) Ltd, held the commission's plumbing audit and inspection contract between 2000 and 2005. Mr Kefford was in the of plumbing commissioner's much of this period.

Casey Services (Aust) Pty went into voluntary liquidation in 2010, owing former employer thousands of dollars superannuation entitlements.

Exclusive  
Richard Baker  
Nick McKenzie

The Ombudsman is to investigate a contentious decision by Victoria's top education bureaucrat to pay a former colleague's company \$1 million to oversee TAFE reforms.

George Brouwer has written to Higher Education and Skills Minister Peter Hall to advise him of his investigation into Richard Bolt's hiring of his former primary industries colleague, Marianne Lourey, without a competitive tender process.

After the Coalition government slashed TAFE budgets, Mr Bolt last year used his special powers to override the state's purchasing guidelines to directly engage Ms Lourey to replace a mid-level public servant to lead the TAFE reform taskforce. Ms Lourey was hired through her company, ACIL Allen, of which she is a director, at a cost of almost \$1 million.

A former energy bureaucrat, Ms



Richard Bolt



Marianne Lourey

Lourey had no experience in the education sector.

Fairfax Media can also reveal that the education department's deputy secretary, Kym Peake, has awarded her former employer, KPMG, contracts worth almost \$500,000 to work on TAFE reform.

In one case, Ms Peake gave a \$200,000 contract to KPMG to organise "ministerial roundtables" on TAFE issues without going to public tender. Ms Peake was formerly the head of public sector governance at KPMG.

Documents show KPMG was awarded another \$400,000 contract last year by another education department bureaucrat for

work on the TAFE reform project.

Mr Brouwer's probe comes in response to a request from opposition skills spokesman Steve Herbert, who has again written to the Ombudsman to urge him to examine why the latest Department of Education and Early Childhood Development annual report states there are "no contractors with management responsibilities" despite Ms Lourey being listed as "Project Executive Director" of the TAFE Transition Taskforce.

In an organisational chart in the report, Ms Lourey is listed alongside several other executive directors who are all public servants. The report does not disclose the value of contracts awarded to Ms Lourey's company.

In a letter to the Public Accounts and Estimates Committee this year, Mr Bolt justified not putting the TAFE reform contract out to public tender by stating that Ms Lourey had the appropriate skills and could start work almost immediately.

# CEO – Council – Executive Expectations

- Quality Tender and Contract Management Practices
  - Risk Management – OH&S – Environmental
  - Reference Checks
  - Contract Model
- Compliance - Transparency, Probity, Consistency
- Competitive and Value for Money
- Planning and Delivery – Timeliness
- Budget Compliance – Financial and Delivery

# Key Success Factors: Planning and Delivery

- Project Planning and Tendering
  - Pre-qualification
  - On Time and On Budget
- Professional Relationship
  - Client and Project Manager – Delineation of Roles
  - Skill Sharing
  - Open and Honest Communication
  - No Surprises
- Quality Product and Fair Price
- Community Satisfaction and Management
- Successful Outcome for both Parties
- Timely Invoices



# Key Success Factors: Contractor

- Profitable
- Professional Relationship
- Reputation
- Repeat Business
- Transparent and Fair Process
- Minimise Red Tape
- Timeliness of Projects and Tendering
- Timely Payment

# Council as a Client - Expectations

- Unwritten Ground Rules
- Contractor of Choice – not last resort
- Competitive Pricing and Responses
- Value Adding
- Systems and Processes
  - Risk Management
  - Quality
  - OH&S
  - HR
  - EEO
  - Environmental
- Financial Sustainability
- Communication, Communication, Communication

# Challenges

- Competition
- Capacity of Contractors
- Skills and Competencies
- Experience

# Way Forward

- How to achieve more with less:
  - Councils – Greater Delivery Percentage – “Planning”
  - Scheduling and Programming of Works
    - Packaging of Projects
  - Agreed Delivery Timeframes
  - Innovation – Shared Risk and Rewards
  - Relationship between – Council and Contractors
  - Understand the Environment
  - Long Term Strategic Capital Works Plan and Budget

# Collaboration - Partnering

- Best Value – Reflects Cost and Quality
  - Not just price, quality outcome
- How do we Work to Improve
  - Consistent Standards – Specifications
  - Tender Evaluation
  - Payments
  - Pre-qualification
    - EOI's
    - Panel Work
  - Programming, Scheduling
  - Flexibility
  - No Surprises



# Conclusion

- Roles and Responsibility
- Expectations
- Environment
- Shared Obligations – Opportunities
- Key Performance Indicators and Regular Reviews

# Thank You and Questions

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