



Shire of
Serpentine
Jarrahdale

Shire of Serpentine Jarrahdale

Abernethy Road Civil Works Contract (SP4) Inquiry – Report

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Executive Summary

Stantons International (SI) was pleased to be engaged to conduct this inquiry and continue our relationship with the Shire of Serpentine Jarrahdale (Shire).

The Abernethy Road Civil Works Project (SP4) was the subject of this inquiry. In SI's view the failures and issues encountered during this project were a due to combination of several factors – internal project delivery and knowledge management capability and structure, and the impact of external project delivery partners on the time, cost, and scope of the project.

This inquiry was limited to SP4 only and did not consider the dependencies which preceded it, namely projects SP1, SP2, and SP3.

SI understands the Shire has fully briefed the Council on the history of this project previously¹. This report sets out to provide recommendations to implement a framework for structured procurement, and recommendations to improve delivery while managing risks. SI understand the Shire is implementing a Project Management Office (PMO) which is in progress. SI fully supports this work and the role of a PMO to enable fit for purpose program and project delivery. The recommendations in this report are designed to integrate and complement that process.

1.1. Background

Abernethy Road is a locally controlled road within the Shire of Serpentine Jarrahdale. In 2017, Council agreed to award tenders related to an upgrade of Abernethy Road that would be undertaken in separable portions. Tenders for Separable Portions 1, 2, and 3 were awarded in April 2017, while Separable Portion 4 (SP4) was awarded in November 2017.

Whilst the contract for SP4 was provided for the contractor to take possession of the site on 31 January 2018, the site works did not commence until November 2020 and were completed in 2021. The final deed of agreement to settle terms was signed in September 2021.

The original contract sum for SP4 awarded to contract via Tender RFT 09/2017 was \$824,917. The Council approved additional variations of \$440,000 for SP4 in 17 February 2020 and \$1.238m in February 2021

At the 21 June 2021 Ordinary Council Meeting, Council resolved that an independent inquiry be undertaken into the Abernethy Road upgrade.

1.2. Objective

The objective of this review was to examine the policies, frameworks, documentation, and history of the procurement and contract management of SP4 and to identify practical recommendations that will improve Procurement Planning, Contract Formation, and Contract Administration. Also, to consider and integrate those processes with the implementation of the Project Management Office (PMO).

1.3. Scope

¹ TBC – document name and date of council report

The scope of the inquiry was to include, but not limited to:

- review of the tendering process,
- development of the Contract,
- review of variations, and
- project management lessons learnt.

SI identified the following areas of emphasis:

1. the initial award
2. subsequent applications for variations and justification provided
3. the evaluation and approval process to identify causes – contract management, site supervision
4. examination of tender offer for low bid to win the work and seek variations if successful
5. Was the initial scope clearly articulated?

1.4. Approach

The review was performed in line with SI's methodology – Figure 1.²

Figure 1 – Stantons' Proposed Methodology.

Abernethy Road Civil Works Contract Inquiry – Stantons Proposed Methodology

Abernethy Road Civil Works Contract Inquiry – Stantons Proposed Methodology					
	1. Contract kick-off	2. Discovery	3. Analysis	4. Delivery	5. Implementation
Inquiry objectives	Initial meeting, setting expectations	Understand the problem	Data analysis	Deliver report	Implement findings
Data Sources or Actions	Initial meeting, explore the problem	Interview stakeholders	Refine data to useable set	Produce the report	Inquiry report
	Client expectations, how to get started	Confirm data sources	Identify gaps.	Present the findings	Implement findings
Analysis	Stakeholder knowledge	Documentation, and Stakeholder interviews	Stage 2 outputs	Stages 1 – 3 outputs	Stage 4 outputs, Stakeholder analysis
Stage Outputs and Outcomes	Collaborative relationship	Real problem identified	Process reviewed.	Report	Issues addressed
	Understand the context	Relevant data received	Issues identified	Presentation of findings	Internal systems and docs updated
Project management	Project management, Change Management, Knowledge Management				

Due to almost all relevant personnel being non-contactable or unavailable, as they were no longer employed at the Shire, the inquiry was unfortunately limited to a desktop review of documentation provided by an Officer who had not been involved in the project. SI was faced with poor Knowledge Management throughout the Abernethy Road project, which was found to have been inadequate and which resulted in difficulty in sourcing the requested documentation, if it was available or existed at all. SI notes that these difficulties were experienced due to the findings identified in this report, and despite the full cooperation of the Shire Officers.

² Stantons were engaged to deliver stages 1 to 4, with Stage 5 optional if required.

As a result of the lack of stakeholder availability, the anticipated input and knowledge held by the relevant project team members was for the most part not available. Only one project team member with any direct experience on the project was available to be interviewed.

This Officer commenced working at the Shire in October 2019 and was involved in SP4 from February 2021 to April 2021 and provided invaluable insights into the context of what occurred in this contract.

1.5. Summary of inquiry findings

In conducting this inquiry SI considers the following to be the key findings:

- The issues encountered in the contract for SP4 were the result of numerous factors, both in and out of the Shire's control – a poor planning phase, high staff turnover, poor stakeholder engagement, a difficult contractor and lack of expected frameworks for project delivery.
- These issues affected scope, program, and budget for the project.
- The lack of an appropriate Planning phase resulted in a less than optimal baseline of cost, scope, and program for undertaking the project form which it didn't recover.
- The long duration of the project resulted in high staff turnover at the Shire, key Stakeholders, and the Contractor, which resulted in a loss of Intellectual Property (IP) related to the project.
- Loss of IP was compounded by Knowledge Management and Record Keeping practices that were reliant on individuals, and not structured in a way expected for a civil works project. It was found during this inquiry that expected documentation was not discoverable, possibly did not exist, or was secured in password-protected folders on network drives that could not be accessed by Shire Officers.
- There was a significant delay due to a change to the design process with no documented record of why the original design scope was in place.
- Poor stakeholder engagement with the Public Transport Authority (PTA), WaterCorp, and the contractor Downer EDI caused additional delays and costs for a variety of reasons.
- Unidentified latent conditions on the site which should have reasonably been discovered through stakeholder engagement or geotechnical surveys were unknown at the time of award, i.e., an existing WaterCorp water main. This discovery added time and cost to the project; and added another critical stakeholder with stringent design and review requirements adding complexity to the project.
- PTA requirements and timeframes for approvals were not well understood, as were the interdependencies inside PTA departments which resulted in delays due to incomplete approvals. Key designers on the project were required to go through PTA professional capability/experience compliant checks.
- The time delay between award of the contract for SP4 (Nov 2017), site possession (Jan 2018), and work commencing (November 2020) – due to the delays encountered in SP1-3, is an unusual amount of time. SI was unable to locate any documented evidence to support the reasoning behind the contract award being conducted in Nov 2017.
- The Shire is moving from a modest capex budget of \$6-\$10M, to \$90M. As a result, policy, process, procedures, templates, project/program management frameworks are required to scale to meet these needs. The Shire should contemplate a PMO capability that can deliver projects from low values - \$1M, through to those with a value of over \$100M – defining procurement approaches through multi-criteria analysis etc., and delivery and contracting

models other than Construct Only (AS4000). While possibly not required in the short term this planning would reduce the risks seen in the Planning phase of this contract in the future and demonstrate the Shire's ability to scale to any project size.

- Supply constraints or being seen as a low priority/preference for capable suppliers may see the Shire unable to source suppliers to deliver its capital expenditure budget targets in the future.
- Developer Contribution Plan(s) (DCP) – maturity in the Shire with respect to DCPs has improved greatly in recent times. It is identified that there was a disconnect between DCP, and project scoping, budgeting, risk assessments etc. The Shire should formalise the method to move strategic intent to operational/delivery processes, i.e., project delivery.
- Document management – was historically managed using network drives on Shire servers. There have been numerous changes to the project file/folder structures over the years which most likely has resulted in loss of information. This is being addressed by the implementation of the TechOne system as a single source of truth.

1.6. Critical Stakeholders' that affected the project budget, cost, and program:

- PTA – as a critical stakeholder they had a material effect on the contract due to the rail closure component. This was due to the change in design, PTA's review requirements, and the churn of key project contact staff at PTA which resulted in a loss of project knowledge. Further, any PTA rail shutdown required advance notice of 3 months. If the deadline date was not met by any party to the project, it resulted in a further 3 months delay to the program. PTA approvals were difficult to obtain, and the PTA were most likely not engaged/engaged appropriately (change from a single stage to a two-stage process) in the planning phase of this project and contract procurement.
- WaterCorp – relocation work was not part of the original contract deliverables. It was unknown at the time and subsequently discovered by Downer EDI. This additional work resulted in a time and cost impact on the project – the work, which was funded by the Shire, added 3-4 months addition to the program, as well as other costs with the Contractor, and their subcontractors, including additional costs to performance bonds.
- Downer EDI (Downer). During the document discover phase the RFT Evaluation Report could not be sourced and is it assumed it does not exist. This Report would have provided important information with respect to how the contract offer price was considered by the project team, and commercially assessed. Due to Downer's subsequent success in obtaining Metronet contracts the Abernethy Rd project became a low priority, and through stakeholder interviews it was suggested a project they did not want to continue or had lost interest in. This made contract management difficult for the project team. In addition, Downer was reliant on their sub-contractors' availability and specialised equipment (e.g., tamper machine which required a long lead time to mobilise) as the project was delayed for long periods.

1.7. Key findings and recommendations

There were 5 key findings that emerged in conducting this review and formed the basis for our recommendations:

1. **Improve the Planning Phase** – after our review of the available information it is clear the delivery of SP4 suffered from an inadequate planning phase - the consequences on time, cost, and scope cascaded through the delivery of the contract. This included a poorly calculated pre-tender estimate for the work, the long period and delay between contract award and work commencing due to delays in SP1-3 – on which SP4 was dependent from a program perspective, lack of appropriate geotechnical assessment of the site resulting in addition scope and cost, and external dependencies and obligations with external stakeholders/service providers – WaterCorp, and the PTA.
2. **Better defined Procurement and Project Planning framework** – Assessment of the procurement and project delivery framework at the time demonstrated the need for a standardised approach to procurement and project delivery at a project, and contract level. While some high-level or strategic documents directed the need for specific work to be undertaken, e.g., Developer Contribution Plans (DCP), there was no evidence of a structured approach to procuring a contractor, and relevant professional services, to deliver the works. See Annexure A.
3. **Better documentation and Knowledge Management** – In undertaking this review it was apparent that much of the intellectual property related to this project was lost with the departure of project staff. Project documentation resides on network drives and commentary from Shire staff indicates that file structures etc change based on the preference of staff members. As a result, a material number of expected documents were not able to be provided for this review.
4. **Better defined Delegated Authority and roles** – during our review it became clear there was a lack of clarity with respect to the role, and power of authority of Shire and non-Shire project personnel to direct Contractors. The Shire may wish to clearly define levels of authority with respect to time, cost, and scope in contract management. See Annexure C.
5. **Better Stakeholder Engagement approach** – relationships with key stakeholders, both with and external to government, caused added complexity with respect to managing the project. Namely, Downer as prime contractor was successful in winning large contracts with the Metronet program, resulting in a decreased focus on the Abernethy Road Civil Works Contract. The relationship with the Public Transport Authority, a key dependence for rail approvals, was not ideal and was the cause of delays in the project. Further, critical WaterCorp infrastructure needs were not identified which resulted in scope, time, and cost impacts on the project. SI understands that through the PMO implementation the Shire is implementing a PRINCE2 framework which contains a structured Communications Management Approach. The Shire may also wish to investigate the Project Stakeholder Management process and tools proposed in the PMBOK³ to complement the PRINCE2 methodology.

Summary of Recommendations

Through our assessment of the available material, artefacts, and stakeholder interviews relevant to each of the scope areas SI proposes 15 Recommendations – Table 1. – that may be considered by the Shire/Council if not already contemplated under the work in progress to implement the PMO.

³ International standard for waterfall project delivery - A Guide to the Project Management Body of Knowledge (PMBOK) - <https://www.pmi.org/pmbok-guide-standards/foundational/pmbok>

Table 1. Summary of Recommendations (Annexure A)

Rec #	Details	Prioritisation with PMO Maturity
R1	Implement a formalised Procurement and Contract Management Framework (Annexure B)	Level 1
R2	Formalise a 'low tender' policy to avoid 'bid low now, recover later'	Level 1
R3	Remove price from RFT qualitative criteria	Level 1
R4	Require Quantity Surveyors to prepare Pre-Tender Estimates, prepare Tender pricing schedules, and assess Tender Price Offers	Level 1
R5	Implement Supply Chain Risk Management	Level 3
R6	Investigate different contracting models based on risk, value, complexity	Level 2
R7	Implement formal KPI or SLA abatement regimes for poor performance	Level 2
R8	Implement panels of pre-qualified Contractors, and professional services Consultants to improve project time, cost, and quality estimations	Level 1
R9	Implement Policies for project, probity, and procurement risk management in project delivery	Level 1
R10	Implement Policies for appropriate due diligence on supplier capability	Level 2
R11	Implement appropriate Knowledge Management requirements investigating EDMS, SaaS, and BIM solutions for program and/or project needs.	Level 3
R12	Implement appropriate Stakeholder Mapping processes, and resulting Communication Plan strategies	Level 1
R13	Investigate Category Management, and Supplier Relationship Management as part of the PMO to be a client of choice	Level 3
R14	Improved Delegated Authority Register with defined roles and powers of authority with respect to procurement and project management	Level 1
R15	Templated Contract Administration Manual	Level 2

2. Detailed observations and recommendations

2.1. Procurement

This inquiry failed to find the standard set of documents expected for a government entity to delivery projects using public funds. The view of SI is that this is due to the issues identified in this report, and there was no evidence of illegal activity or misconduct. This includes:

- No clear procurement and contract management framework (PCMF) which works in conjunctions with the Shire's Procurement Policies.
- No project business case.
- No project and procurement risk assessment.
- No tender evaluation report discovered.
- No due diligence conducted to confirm if the supplier had appropriate capability to deliver the project.
- A delegated authority schedule that would have benefited from additional clarity around roles and responsibilities.
- No lessons learned from procurement phase, or project close out process.

Rec #	Details	Prioritisation with PMO Maturity
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R3	Remove price from RFT qualitative criteria	Level 1
R4	Require Quantity Surveyors to prepare Pre-Tender Estimates, prepare Tender pricing schedules, and assess Tender Price Offers	Level 1
R10	Implement Policies for appropriate due diligence on supplier capability	Level 2

R1 - Implement a formalised Procurement and Contract Management Framework (Annexure B)

SI's review of the Abernethy Road Civil Works Project (Project) conducted a Discovery and Analysis process based on the Procurement and Contract Management Framework (PCMF) detailed in Annexure B. Due to almost all project personnel no longer being employed by the Shire it was determined the inquiry would need to be an almost entirely desktop analysis.

In conducting the desktop analysis, the artefacts expected from a structured procurement process were not found. It was concluded this was a combination of the actions were not taken, documentation did not exist, was dependent on other documentation, e.g., Developer Contribution Plans, etc., or was not discoverable due to the length of the project and inadequate Knowledge Management (**R11**).

To address the issues discovered **R1** proposes a formalised PCMF based on the standard approach for procurement and contract management. The framework is based on a risk, value, and complexity approach for the contract(s) required to deliver a project. As risk, value,

and complexity increase the requirements from the project team become more structured and formalised, as to the outputs and outcomes.

The PCMF is structured in three phases:

1. Planning
 - a. Needs analysis
 - b. Business Case
 - c. Procurement Plan
2. Contract Formation
 - a. Tender preparation
 - b. Invite tenderers
 - c. Tender Evaluation
3. Contract Administration
 - a. Mobilisation
 - b. Contract Performance
 - c. Contract management, variation, extension
 - d. Contract review and evaluation

The proposed PCMF is structured to be scalable for any purchasing or procurement process, and to integrate into Program and Project Delivery Frameworks contemplated by the Shire's PMO implementation.

R2 - Formalise a 'low tender' policy to avoid 'bid low now, recover later'

In conjunction with the proposed PCMF SI recommends the Shire investigate or adopt a 'low tender' policy. Such a policy would formalise the evaluation of tender price offers where those offers that are e.g., significantly lower than other bids, below the pre-tender estimate, has a materially different risk profile and costing etc. Such a policy would manage the risk of suppliers 'buying' the work at low cost, and subsequently seeking to recover the true cost and profit margin they require during the contract through variations. Taking a reasonable approach to contract value evaluation ties to **R13**, advanced supplier engagement to be a 'client of choice'.

R2 would require realistic Pre-Tender Estimates (PTE) of the contract value, which would ideally be calculated by independent Quantity Surveyors (**R4**).

R3 – Remove Price from Request For Tender (RFT) weighted qualitative criteria

The sample RFT template provided in the discovery phase was structured so that price was evaluated as a qualitative criterion, i.e., a weighted % amount.

R3 recommends adopting a model similar to the Western Australian Department of Finance Procurement Framework where a value for money judgement is made based on qualitative score, tender offer price, and whole of contract risk assessment.

Adopting **R3** would align the Shire with the procurement evaluation process undertaken by State Government entities, and those suppliers that work tender regularly with them. It would also allow for alternative procurement and evaluation methods that may be required as the Shire's program profile becomes higher value, higher risk, and more complex. E.g. two stage process

going from EOI (no price component) to RFP, or a two-envelope procurement evaluation processes where price is not considered in the first stage of evaluation.

R4 – Require Quantity Surveyors to prepare Pre-Tender Estimates (PTE), prepare Tender pricing schedules, and assess Tender Price Offers

R4 proposes that for those contracts or projects over a specific value, or risk, and complexity rating, the Shire should engage, ideally from a panel of pre-qualified suppliers (**R8**), capable Quantity Surveyors or other independent commercial consultancies to conduct such tasks as prepare PTE, assist with project and contract budgeting, tender pricing schedules/Bills of Quantity, and assess commercial offers in tender responses by suppliers.

R4 integrates with **R2** and **R3** as part of the project/contract risk management strategy by attempting to reduce the risk of incorrect contract award amounts, and subsequent variations with budget implications. **R4** also assists with appropriate due diligence **R9** where the level of appropriate due diligence on supplier capability is driven by contract value.

R9 – Implement Policies for project, probity, and procurement risk management in project delivery

Risk assessment documentation related to the Project was requested in the Discovery phase of this inquiry. No Project specific risk assessments were found. **R9** recommends that procurement and probity risks should be considered in conjunctions with project risks. Procurement and probity risks will flow into the Procurement Plan for the Project contract(s) and should be a sub-set of the full Project Risk Register. Procurement risk assessments should ideally inform the type of procurement process, and resulting form of contract, e.g., one or two stage procurement, two envelope procurement, and contract type (Construct Only, Design and Construct, Early Contractor Involvement, PPP, etc.)

R9 intends to integrate into a *Program* and Project Risk Management Framework developed by the Shire's PMO implementation.

R10 – Implement Policies for appropriate due diligence on supplier capability

Due diligence documentation related to the Project was requested in the Discovery phase of this inquiry. No due diligence assessments or documentation were found. **R10** recommends that based on contract value and risk an appropriate due diligence assessment of the recommended supplier be conducted. Such an assessment can be conducted by an independent third party assessment firm. Such an assessment should consider the recommended supplier's capacity to undertake the contract work based on current workload, history of delivery, similar projects, and other metrics.

The supplier capacity assessment would form part of the Evaluation Report presented to the delegated authority for award of a contract.

Due diligence could be extended to a regular assessment schedule to review the state of all suppliers identified as critical to the Shire's program to assist managing supply chain risk (**R5**). This could also form part of the Treatment Action Plan of any Risk Management Framework items related to supplier risk management.

2.2. Project Management

It is the view of this inquiry that the issues encountered during the project delivery phase were a result of actions and decisions taken during the Planning phase, the extended duration of the delivery phase, the turnover of personnel, and stakeholder management issues.

From the material provided it appeared a reasonable project management approach was conducted during the project but the issues of poor initial scope and cost planning, undiscovered services requirements, delays on site due to dependencies on SP1-3, high staff turnover in all project stakeholder entities, and a subsequent lack of contractor interest after commencement made contract administration difficult.

The recommendations in this section are intended to integrate with the implementation of the Shire's PMO, and are lessons learned from this inquiry.

Rec #	Details	Prioritisation with PMO Maturity
R11	Implement appropriate Knowledge Management requirements investigating EDMS, SaaS, and BIM solutions for program and/or project needs.	Level 3
R12	Implement appropriate Stakeholder Mapping processes, and resulting Communication Plan strategies	Level 1

R11 – Implement appropriate Knowledge Management requirements investigating EDMS, SaaS, and BIM solutions for program and/or project needs

A finding of this inquiry is the inadequate document and knowledge management process used during the term of the contract. This was evident during the Discovery phase where sourcing the requested documentation proved difficult. In the stakeholder interview process it was noted personnel changes during the project term resulted in changes to network drive folder structures which contained project documentation.

This inquiry notes that the TechnologyOne ICT system is now the Shire's Electronic Document Management System (EDMS). **R11** recommends the Shire investigate other ICT systems for project delivery based on the project risk, value, and complexity assessment. This includes systems such as but not limited to Aconex – a commonly used SaaS platform in the WA construction industry. To reduce risk associated with poor scope or technical specifications in construction contracts the Shire may also investigate Building Information Modelling (BIM) systems as a requirement in the Planning phase. Use of such systems would reduce risk through taking a standardised approach used by the WA construction industry, and enabling efficient uptake of more sophisticated design requirements in BIM.

Use of these platforms should ensure an appropriate transfer of documentation at the completion of a project – either through automated document transfer functionality, or manual provision of soft copy documentation. Both of which are standard options in such systems.

As a future state the Shire may wish to investigate a formalised Information Security Framework (ISF) as part of the PMO implementation. An ISF forms part of the project risk management process and directs the appropriate information is provided to correct stakeholders.

R12 – Implement appropriate Stakeholder Mapping processes, and resulting Communication Plan strategies

Identifying stakeholders is a critical aspect of project delivery and should form part of the Project Delivery Plan. During the Discovery phase of this inquiry no project stakeholder management artefacts were discovered. **R12** recommends a structured Stakeholder Management process, ideally created or managed in conjunction with the Shire's Communications team, for project delivery contracts utilising lessons learned processes from previous, similar contracts, risk registers, and existing stakeholder registers.

SP4 would have benefited from a stakeholder management process and engagement plan such as one detailed by the PMBOK⁴. Identification of key external stakeholders, their power/influence/impact, and what dependencies the project had with these stakeholders would potentially have assisted with better identification of items that impacted the scope, time, and cost of the project.

2.3. Contract Management

Rec #	Details	Prioritisation with PMO Maturity
R14	Improved Delegated Authority Register with defined roles and powers of authority with respect to procurement and project management	Level 1
R15	Templated Contract Administration Manual	Level 2

R14 – Improved Delegated Authority Register with defined roles and powers of authority with respect to procurement and project management (Annexure C)

R14 proposes a more structured delegation schedule that sets out the delegated authority (DA) and powers specific roles may exercise with respect to procurement, contract management, and project management.

The example DA could be implemented as part of the PMO's policy suit for all projects. The DA may also be set out in Project Charters used where applicable based on project need.

The role of non-Shire personnel participating in the project, e.g. external PM firms, independent Superintendents, Design and technical teams, etc., should be clearly defined. A standard approach where such personnel do not have authority to undertake actions on behalf of the Shire is to require an Endorsement of a proposed action to be considered by the appropriate delegated authority. While this can be viewed as an additional layer of

⁴ Project Management Book of Knowledge – the industry standard project management approach for waterfall style project delivery.

administration and cause of delay to the project it seeks to manage the risk that project staff fail to meet legislative and governance obligations with respect to directing project supplier/personnel etc.

R15 – Templatized Contract Administration Manual

R15 proposes the Shire adopt a standard template for Works Construction Contracts. On the assumption the Shire will use a suite of Australian Standard forms of contract, e.g., AS4000, AS4122, etc., to improve and standardise contract administration expectations and actions a Contract Administration Manual could be adopted. Such a manual would provide a suite of templated Pro-Forma Notice documents that are tied directly to the specific clauses in the contract conditions. Details can even extend to flowcharts with decision making paths and time bar details. Such manuals are commonly used for high value and bespoke contract forms.

Adopting a standard manual for all works contracts conducted by the Shire would reduce the risks associated with poor and inconsistent project communication, reliance on contractor processes and documentation, staff churn and loss of IP, and provide reliable and contractually sound information in the event of contract disputes.

2.4. PMO integration to manage Program, and Project Risk

This inquiry notes the Shire is currently implementing a Project Management Office (PMO).

Lessons learned from this inquiry extend to actions or policies than may be considered for inclusion in the PMO implementation, or as part of the Shire's risk management framework.

The concepts recommended in this section most likely would form part of the Shire's medium to long term implementation plans for improvements in procurement, contract management, and PMO delivery.

Rec #	Details	Prioritisation with PMO Maturity
R5	Implement Supply Chain Risk Management	Level 3
R6	Investigate different contracting models based on risk, value, complexity	Level 2
R7	Implement formal KPI or SLA abatement regimes for poor performance	Level 2
R8	Implement panels of pre-qualified Contractors, and professional services Consultants to improve project time, cost, and quality estimations	Level 1
R13	Investigate Category Management, and Supplier Relationship Management as part of the PMO to be a client of choice	Level 3

R5 – Implement Supply Chain Risk Management

One of the key factors in the poor outcomes of the Abernethy Road Civil Works Project was the change in market conditions, and because of winning high value, high profile, and Perth-based Metronet contracts the apparent decrease in interest in the project by the Contractor.

To manage this risk, potentially increasing in risk with an increased program budget, the Shire may wish to adopt program-wide Supply Chain Risk Management practices. This would formalise the approach taken to consider the risk related to suppliers engaged by the Shire across the Program.

Such a risk management framework would consider such matters as dependence on suppliers based on the number of contracts, the and the aggregated contract \$ value each supplier has with the Shire, and across their own portfolio, Program risk allocation and how that aligns with the Shire's Risk Appetite Statement, and the implementation of Treatment Action Plans to manage supplier failure, or poor performance (**R7**). This would complement due diligence work undertaken for contract award, or panel prequalification (**R10**).

R6 – Investigate different contracting models based on risk, value, complexity

R6 proposes the Shire, in its implementation of the PMO, may wish to investigate a formalised decision-making framework that considers project requirements, the objectives of the Shire and other Stakeholders, which sets out the demonstrable reasons for selecting a specific project delivery method. Based on the expected needs of the Shire this would consider such delivery methods as Construct Only, Design and Construct, Early Contractor Involvement (ECI), Alliance, or PPP.

Based on the Project risk rating, this would integrate with the proposed PCMF concepts of assessing procurement needs based on risk, value, and complexity (**R1**), **Annexure B**.

R7 – Implement formal KPI or SLA abatement regimes for poor performance

As described to this review during Stakeholder interviews the attitude of the prime contractor, Downer EDI, changed through the term of this contract. Namely, once higher value contracts were won through the Metronet program the level of interest in the Abernethy Road Civil Works contract diminished.

To manage poor supplier performance the review found no provisions in the contract to allow for show cause or cure notices which, if required, would form part of the contract management, dispute, or even termination provisions. As part of the regime of documentation required to trigger such outcomes the Shire would need appropriate documentation (**R15**), and the objective measures of performance **R7**.

Such KPI, SLA etc mechanisms should be initially drawn from previous project close-out lessons learned, fed into the project/procurement risk management process, and implemented into the contract conditions. Performance reporting requires the support of the project Superintendent and would be managed in the form of monthly reports that relate to a schedule of requirements that can be both contract deliverables, and non-contract deliverables identified in the risk assessment processes. For works projects in the public realm this may include such items as interaction with the public or businesses affected by the works, etc. Such a regime would work in conjunction with Project Quality Management Plan(s).

R8 – Implement panels of pre-qualified Contractors, and professional services Consultants

The Shire is expecting to deliver a materially higher value of projects in the near future in comparison to historical programs of work. **R8** proposes the Shire through the PMO run a series of procurement processes to engage panels of suitably qualified suppliers to deliver the program of work. This would include such activities as market sounding and industry briefing sessions to advertise the opportunities for work.

Engaging appropriately sized panels of suppliers who will have an opportunity for a fair share of the program work will help improve the scoping, scheduling, and commercial aspects of project planning and delivery, and manage the risk of poor supplier performance, help to ensure continuation of key personnel, reduce the amount of work required by the procurement and project teams to contract suppliers, and reduce the risk the supply chain may identify in the current constrained global supply chain. Use of suppliers engaged under **R8** would normally be directed by the PMO as part of the Program Risk Management process and apply the concepts of **R5 – Supply Chain Risk Management**.

The Shire may wish to consider the use of independent Site Superintendents, i.e., contracted private sector firms, where appropriate for construction contracts in place of Shire staff acting in this role. This would support the concepts in **R13** in demonstrating the Shire is committed to fair dealings between itself as Principal, and Contractors delivery projects.

R13 – Investigate Category Management, and Supplier Relationship Management as part of the PMO to be a client of choice

This report proposes the Shire implement a formalised PCMF (**R1**) that would direct the procurement of works, goods, and services contracts. **R13** proposes that once the PCMF is implemented the Shire, through the PMO, investigate the need for Category Management, and Supplier Relationship Management (SRM).

Category Management is a more strategic approach to sourcing where the Shire would seek to understand how you relate to supplier markets, who has power, what is happening now, and what is happening in the future in order to optimise the Shire's purchasing power. It would also consider matters in the Shire's Strategic Plan or intent such as but not limited to e.g., Aboriginal Procurement Policy targets, or the Modern Slavery Act and how to achieve those objectives if relevant.

SRM is a strategic process to understand the Shire's supply chain, identify those suppliers that could be strategic or critical partners, and how to engage with them in collaborative and beneficial ways. SRM builds on the work done in the Category Management phase.

These two concepts are longer term goals based on need and capability. This review has presented these concepts to give the Shire a pathway for a standard procurement transformation. The benefits of such a transformation are reduced risk with respect to working with critical suppliers and reduced issues on project and contract delivery as a client of choice.

2.5. Annexures

Annexure A – Summary of key Recommendations

Annexure B – Sample Procurement and Contract Management Framework

Annexure C – Sample Delegated Authority Schedule for Project Contract Management

Disclaimer

This opinion has been provided on the basis of limited oral and written information provided by the Client and has not involved detailed interviews or forensic analysis of potentially relevant documentation. Neither Stanton International, the writer, or any other employees of the company accept any responsibility whatsoever for the accuracy of the advice provided or liability for any actions taken by the Client resulting from the provision of such advice.

Annexure A – Summary of Recommendations

Rec #	Details	Prioritisation with PMO Maturity
R1	Implement a formalised Procurement and Contract Management Framework (Annexure B)	Level 1
R2	Formalise a 'low tender' policy to avoid 'bid low now, recover later'	Level 1
R3	Remove price from RFT qualitative criteria	Level 1
R4	Require Quantity Surveyors to prepare Pre-Tender Estimates, prepare Tender pricing schedules, and assess Tender Price Offers	Level 1
R5	Implement Supply Chain Risk Management	Level 3
R6	Investigate different contracting models based on risk, value, complexity	Level 2
R7	Implement formal KPI or SLA abatement regimes for poor performance	Level 2
R8	Implement panels of pre-qualified Contractors, and professional services Consultants to improve project time, cost, and quality estimations	Level 1
R9	Implement Policies for project, probity, and procurement risk management in project delivery	Level 1
R10	Implement Policies for appropriate due diligence on supplier capability	Level 2
R11	Implement appropriate Knowledge Management requirements investigating EDMS, SaaS, and BIM solutions for program and/or project needs.	Level 3
R12	Implement appropriate Stakeholder Mapping processes, and resulting Communication Plan strategies	Level 1
R13	Investigate Category Management, and Supplier Relationship Management as part of the PMO to be a client of choice	Level 3
R14	Improved Delegated Authority Register with defined roles and powers of authority with respect to procurement and project management	Level 1
R15	Templated Contract Administration Manual	Level 2

Annexure B – Sample Procurement and Contract Management Framework (PCMF)

Assumptions:

- The budgeting process is outside the remit of this Report.
- A Project as defined under the PMBOK framework is "...a temporary endeavour undertaken to create a unique product, service, or result ". The sample PCMF should be viewed as a methodology to source and manage via procurement contracts the Works Contractors and required Consultants the Shire requires to deliver a project. i.e., One Project will usually require more than one contract.
- A Project Definition Plans (PDP)⁵ should define the requirements of the Project, and hence the required contracting regime.
- A standard PDP should address such items as the following:
 - Project objectives, visions, outcomes, outputs.
 - Alignment with strategic plan. Project Business Case.
 - Benefit realisation, and/or compliance obligations.
 - Detail and justify cost estimates – financing, funding.
 - Risk profile of the project.
 - Procurement strategy.
 - Stakeholder analysis
 - Project program/schedule.
 - Transition from capital expenditure to operational expenditure/facilities management phase of project, or hand over to another entity.
- The Procurement team would provide the following information into the PDP:
 - Procurement options
 - Assist with total lifecycle cost analysis, Cost Benefit Analysis, Net Present Value/Internal Rate of Return analysis
 - Procurement and/or Sourcing strategy, and Procurement Plan

The following recommendations are for a procurement process resulting from the Project Definition Plan (PDP). Each Phase, Stage, and Process would have documented Policy, Process, Procedures, and Outputs/Outcomes defined.

⁵ Can also be referred to as a Project Implementation Plan, or Project Management Plan, etc.

Procurement and Contract Management Framework

Phase	Stage	Process	Details	Outputs/Outcomes
Planning	Needs Analysis	Identify the need	<p>Conduct options generation analysis, including SWOT analysis</p> <p>Needs identified; cost estimation conducted</p> <p>Generate a scope of work – technical, procedural, professional to be carried out by the contractor</p> <p>Specifications – functional, performance, materials, technical</p>	<ul style="list-style-type: none"> • Needs analysis report • Scope of Work, Specifications, Statement of Deliverables
	Risk Assessments		<p>Ensure the project procurement aligns with the Shire's Risk Appetite Statement</p> <p>Procurement process should look to address Project risks such as design/technical, construction, internal capability, market conditions</p> <p>Risk assessments should be conducted under a unified Organisational Risk Framework</p>	<ul style="list-style-type: none"> • Risk Register including risk owners • Required insurances identified
	Form of contract		<p>Based on the risk rating of the project/contract and value of the work the appropriate form of contract should be determined.</p> <p>This will range from Low Value/Low Risk – purchasing, through to High Value/High Risk – complex procurements and projects requiring subject matter expert teams to deliver</p>	<ul style="list-style-type: none"> • Contract conditions forming part of the tender documentation, and executed Contract • Procurement Options assessment • Legal advisor input and customisation of template contracts based on risk register
	External advisors		Independent Site Superintendent for construction contracts	<ul style="list-style-type: none"> • Engaged based on risk and value

Procurement and Contract Management Framework

Phase	Stage	Process	Details	Outputs/Outcomes
			<p>Quantity Surveyors – provide rigour to the project/contract costing process, and expertise in assessment of contractor tender offers.</p> <p>Probity – engage for high risk contracts where the Shire requires assurance over the process to mitigate any stakeholder risks.</p> <p>Legal – assist with drafting contract conditions reflecting the risk profile. Potentially can provide assurance around risk profile accepted in final contract after negotiations.</p>	<ul style="list-style-type: none"> Procurement focussed suppliers engaged to assist in the Planning, and Formation stages
			<p>Market approach</p> <p>The supply market should be understood by the Procurement team. Market approaches can be taken from existing Sourcing Plans/Category Management framework.</p> <p>If these do not exist the market can be approached through market sounding options such as Invitation to Register Interest (ITRI), EOI, Industry briefings.</p>	<ul style="list-style-type: none"> Market capability assessment report for Procurement Plan and/or Business Case
	Business Case	Business Case	<p>The Business Case template should align with the risk/value determination of the project. Low risk/value purchasing can be as simple as an email. High risk/value procurement requires a rigorous assessment of the proposed procurement in terms of cost (CBA, NPV/IRR if necessary), benefits, risks, options, strategic alignment, legislative compliance etc.</p>	<ul style="list-style-type: none"> Business case policy Business case document

Procurement and Contract Management Framework

Phase	Stage	Process	Details	Outputs/Outcomes
Procurement Plan	Pre-tender	Specifications	Lessons learned from previous similar projects should be utilised for risks, and pre-tender estimate calculation	
			Specifications – functional, performance, materials, technical Associated consulting or professional services specifications – reports, documents, briefings, community consultation, etc.	<ul style="list-style-type: none"> • Tender technical scope
	Procurement Plan	Procurement Plan	The Procurement Plan should be started as early as possible in the procurement process. The Plan should define the needs, the market sounding process, the planned program, resources required, current state, risk analysis, legislative and other compliance obligations, evaluation process, governance, and contract management provisions.	<ul style="list-style-type: none"> • Procurement Plan
		Market Research	Research the supplier market to identify potential suppliers. Pre-qualification of suppliers can form part of the Shire's due diligence and risk management approach. Market research should investigate organisational capacity, publicly available history with respect to OHS, delivery, environmental record, management, and any other items covered by the Shire's Risk Management Framework.	

Procurement and Contract Management Framework

Phase	Stage	Process	Details	Outputs/Outcomes
Formation		External Quality Assurance	Based on risk, value, and complexity considerations the Shire should have a formalised QA decision making process to engage delivery partners such as but not limited to Legal Firms, Quantity Surveyors, Probity Advisors, and Due Diligence specialists.	<ul style="list-style-type: none"> External advisors engaged from initiation
		Legislative compliance	The Shire should have a documented methodology to ensure all respective legislative and policy compliance is included in the tender specifications, or contract deliverables.	<ul style="list-style-type: none"> Tender and contract conditions
	Tender preparation	Form tender documents	<p>Integrate risk management treatments from the risk assessment process into tender and contract documents.</p> <p>Based on the Procurement Plan begin formation of tender and contract documents from templates.</p>	<ul style="list-style-type: none"> Updated template forms reflecting requirements of the project/procurement/contract.
		Lessons learned	Apply lessons learned from previous similar contracts through risk management using formal project and procurement close out lessons learned reports.	<ul style="list-style-type: none"> Tender document Updated risk registers
		Performance setting	KPI, SLA regimes should be formulated to enable good contract administration, the obligations of both parties, and as controls for any risks identified in the Planning phase.	<ul style="list-style-type: none"> Performance and reporting framework for contract management

Procurement and Contract Management Framework

Phase	Stage	Process	Details	Outputs/Outcomes
Procurement		Tender approach	The approach to the Invitation To Tender is finalised and delegated authorities have endorsed for release in line with the Procurement Plan.	<ul style="list-style-type: none"> Endorsed Request document
	Invite tenderers	Communications Plan	All stakeholders are informed at appropriate times with appropriate information	<ul style="list-style-type: none"> Stakeholder analysis Communications Plan
		Invitation to tender	The Tender is released with tender open and close times disclosed, indicative timing, evaluation and compliance criteria included – mandatory, compliance, qualitative, disclosures. For high risk and/or value tenders probity advisors may be engaged throughout this process. The Evaluation Plan should be completed before the close of the open tender period.	<ul style="list-style-type: none"> Tender in market Tender evaluation plan Tender Close and compliance assessments
	Tender Evaluation	Tender Evaluation	Objective is to recommend a supplier for approval by a delegated authority. Ensure there is procedural fairness – confidentiality maintained, no conflicts, appropriately qualified evaluation panel and technical advisors. The Evaluation Process should have provisions for how to manage alternate tenders. Reassess risk register- any risks realised now require controls in contract document.	<ul style="list-style-type: none"> Evaluation report Updated risk registers Procurement phase lessons learned
		Tender Evaluation panel	Select appropriate members to form an evaluation panel. Technical or subject matter experts and their role should be defined in policy or procedure based on risk, value, complexity.	<ul style="list-style-type: none"> Evaluation panel member policy

Procurement and Contract Management Framework

Phase	Stage	Process	Details	Outputs/Outcomes
		Negotiation and due diligence	<p>Negotiation at this stage is most commonly associated with departures from contract conditions, insurance and security requirements, liability settings.</p> <p>The Shire may wish to consider a parallel negotiations policy and procedure.</p> <p>Based on risk and value conduct the appropriate level of capability assessment on the preferred supplier to ensure they are capable of delivering the services</p>	<ul style="list-style-type: none"> • Negotiation team formation procedure • Negotiation Plan • Financial and organisational capacity assessment policy • Agreed risk allocation in contract, and final General and Special conditions • Probity Certificate if required • Legal assurance if required
		Contract Award	<p>Advise the project's Comms team to manage Stakeholder risk if required.</p> <p>Contract documents executed by both parties with appropriate authority.</p> <p>Assurance reports from the Shire's advisors – legal, probity, commercial - may be considered to provide assurance the risk allocation and process conducted are appropriate.</p>	<ul style="list-style-type: none"> • Stakeholders informed • Executed contract document • Procurement lessons learned recorded • Assurance reports provided as part of request for award documentation
Contract Administration	Mobilisation	Mobilisation/Start up	Preliminaries, Company Representatives, Superintendent, transition in/out and mobilisation on site should be included in the contract deliverables.	<ul style="list-style-type: none"> • Meeting schedules • Correspondence, contracts, assets registers • Electronic document control system if required based on complexity of project

Procurement and Contract Management Framework

Phase	Stage	Process	Details	Outputs/Outcomes
	Contract Performance	Contract Performance	Performance obligations set in the contract may include technical, quality, personnel, financial and non-financial, stakeholder interaction	<ul style="list-style-type: none"> • Ensure contract and legislative obligations met • KPI/SLA/Performance reporting per contract obligations • Project performance is documented and used for continuous improvement or dispute management.
	Contract management, variation, extension	Contract variations or dispute management	<p>The contract should have adequate provisions for the assessment of both Claims for Variation from the contractor, and Variations directed by the Shire.</p> <p>Mechanisms to manage disputes in the contract should be clear and well defined. Can include resolution pathway and escalation through to resolution, or breach of contract.</p> <p>Consider a contract administration manual with notification templates integrated with contract clauses.</p>	<ul style="list-style-type: none"> • Contract administration manual • Variations notices • Delegated Authority known, role of external project delivery partners understood • Contract close out notices • Dispute mechanism regime agreed in contract
	Contract review and evaluation	Contract lessons learned	Construction contract and professional services – outline the steps required to close out the project. Practical Completion and defects periods, and time-based services contracts – close out, or extend based on project need.	<ul style="list-style-type: none"> • Project lessons learned report • Lessons learned added to PMO Program Knowledge Management System

Procurement and Contract Management Framework

Phase	Stage	Process	Details	Outputs/Outcomes
			<p>Document the lessons learned. Identify issues that need to be addressed immediately, or in the next similar project.</p> <p>Audit the contracting process – procurement and project planning phase, Delivery phase, compliance obligations met.</p>	<ul style="list-style-type: none"> Practical completion for works contracts. Security and guarantees released.

Annexure C – Sample Delegated Authority Schedule for Project Contract Management (R14)

Notes:

- All data in the sample schedule is **example only**. This schedule is for guidance only and is not complete or specific to the Shire of Serpentine Jarrahdale legislative obligations, policies, processes, or role descriptions.
- X = the function or duty delegated to this role.
- Where there are competing delegated authority items the highest delegation takes precedence, e.g. time, scope, and budget variations.
- The sample schedule sets out to clearly define the roles and authority with respect to project contract management.
- The sample delegated authority schedule sets out the roles and authority for the follow project actions:
 - Initiate a **Purchase** (within approved budget) and award a contract.
 - **Variation** to a contract value at variation/direction level where cumulative variations are less than 5%, or more than 5% of contract value
 - **Variation** to the scope of a contract – based on project impact, risk, cost impact, delivery of objectives risk rating
 - **Variation** to contract time – end date, extension options, Practical Completion, etc
 - Contract termination
 - Exemption from tender policy
 - Other related project contract administration tasks – retention of monies, release of guarantees, liquidated damages.

Item	Function	Delegation Limit (up to and including)	Officer ⁶	PM	PD	Director	CEO	Council
1.0	Procurement and Contract Management							
1.1	Initiate a purchase and award contract within approved budget/project expenditure <i>Reference to LG Act or other policy</i>							
1.1(1)	LG Act Section X	Less than or equal to \$1000 ⁷	X					
1.1(2)	(Legislative reference)	Less than or equal to \$10,000		X				
1.1(3)		Less than or equal to \$100,000			X			
1.1(4)		Less than or equal to \$500,000				X		

⁶ Roles are sample only and would be changed to meet the organisational structure of the Shire if implemented.

⁷ Values are sample only and not indicative of a fit for purpose DA for the Shire.

Item	Function	Delegation Limit (up to and including)	Officer ⁶	PM	PD	Director	CEO	Council
1.1(5)		Less than or equal to \$1,000,000					X	
1.1.(6)		More than \$1,000,000						X
1.2	Variation to individual contract (value) - where the cumulative value of all variations (including the proposed variation) is less than or equal to 5% of original contract value							
1.2(1)		Individual variations less than or equal to \$X	X					
Etc		Individual variations less than or equal to \$Y		X				
Etc		Individual variations less than or equal to \$Z			X			
1.3	Variation to individual contract (value) - where cumulative value of all variations (including the proposed variation) exceeds 5% of original contract value							
		Individual variations less than or equal to \$XX			X			
		Individual variations less than or equal to \$YY				X		
		Individual variations less than or equal to \$ZZ					X	
1.3	Variation to individual contract (approved scope)*							
	Scope change – impact low: Reputation risk assessment is low; and/or no increase to approved expenditure; and/or no reduction to approved project revenue; and/or low likelihood that approved project objectives are compromised.				X			
	Scope change – impact medium: Reputational risk assessment is medium; and/or less than or equal to the greater of 10% or \$250k increase to approved project expenditure; and/or low likelihood that approved project objectives are compromised.					X		
	Scope change – impact high: Reputational risk assessment is high; and/or more than the greater of 10% or \$5M increase to approved project expenditure; and/or more than the greater of 10% or \$5M reduction to approved project revenue; and/or high or medium likelihood that approved project objectives are compromised.						X	
1.4	Time variation to individual contract – exercise extension options							
		Time Variation to individual contract - exercise contract extension options (time) within contract		X				

Item	Function	Delegation Limit (up to and including)	Officer ⁶	PM	PD	Director	CEO	Council
1.5	Contract Termination							
1.6	Exemption from Tender Policy							
1.7	Apply liquidated damages					X		
1.8	Release or retention of 'retention' monies, securities					X		
	<i>etc</i>							

*Scope – requires a formalised risk assessment framework to consider risks to reputation, approved expenditure, revenue, or objectives.