Capital Investment/Procurement Planning and Project Delivery

Capital investment/procurement planning is the foundation for the delivery of government building projects\(^1\). It incorporates defining capital investment projects, preparing budget documentation and formulating investment/acquisition plans. Project delivery involves the development of a project brief, selecting the procurement strategy and the consultants/contractors, design and construction, and handover. These stages are explained in detail in the *Capital Works Management Framework* (CWMF), the Queensland Government's key policy for managing risks in the planning and delivery of government building projects.

For the purposes of this guideline, the term ‘agencies’ has the same meaning and is used interchangeably with ‘departments’ (as defined in s8 of the *Financial Accountability Act 2009*).

The concepts contained in this guideline are consistent with the requirements in the legislation and whole-of-Government policy documents listed below:

- *Building Act 1975*
- *Capital Works Management Framework*
- *Financial Accountability Act 2009*
- *Project Assessment Framework*
- *Queensland Procurement Policy and Queensland Government Procurement Strategy*
- *Planning Act 2016*

For further information and additional references refer to Attachment 1.

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\(^1\) The term ‘government building project’ is defined in Attachment 1 of the *Capital Works Management Framework*. 
Benefits

Well structured investment/procurement planning and project delivery processes facilitate the formulation of suitable capital acquisition plans, budget documentation, compliance and successful delivery of capital works projects and programs.

Risks

A coordinated process for capital investment/procurement planning and project delivery can avoid exposure to risks associated with:

- the health, safety and security of buildings
- the appropriateness of buildings to service delivery needs
- the environmental impacts of buildings and the approach to addressing these impacts in the most practical and cost-effective way
- a decrease in public confidence in the Government’s ability to provide services effectively and efficiently.

1.0 Capital investment planning

Capital investment/procurement planning is initiated when strategic asset planning identifies the need for a new building or to improve an existing building. In the capital works management process depicted in the CWMF, capital investment planning/procurement is equivalent to project evaluation and program formulation.

Planning and subsequent management involves:

- evaluation of capital investment/procurement options and strategies developed during strategic asset planning to ensure they provide value for money and meet service delivery needs
- formulation of capital works projects and programs for new building assets and/or improvement to existing building assets to achieve an increase in their performance (i.e. capacity, condition, utilisation rate, operating and maintenance efficiency), or extension of their useful or economic life
- delivery of capital works projects and programs.

A systematic review of building performance is a key aspect of the capital investment planning process. The Building Asset Performance Framework (BAPF) assists departments to implement effective asset management practices for better alignment of building needs to Government service delivery requirements by focusing attention on areas that require intervention.

Capital investment/procurement planning involves the following activities:

- defining capital investment projects
- preparing budget documentation
- formulating programs.
1.1 Defining capital investment projects

Capital investment projects should be defined by:

- reviewing service delivery strategies
- evaluating asset options for delivering services
- developing project proposals.

The *Project Assessment Framework* provides methodologies and tools to facilitate departments' uptake of strategic assessments and development of business cases (including the assessment of broader economic implications), funding frameworks and other processes.

All implications of asset options, including land acquisition implications (where required), should be taken into account in the evaluation process. Where native title issues may impact on an asset option, agencies should refer to the Department of Natural Resources, Mines and Energy for guidance on the process to follow.

Analysis of the options should include:

- an assessment of the financial, economic and social risks and impacts
- any other identified risks/impacts associated with the project as outlined in the *Project Assessment Framework* guideline: *Cost Benefit Analysis*.

This analysis should be consolidated in a report to enable a decision to be made on whether to proceed to fully developing a business case. The business cases should include realistic estimates of capital, operating and maintenance costs over the expected life of the assets.

Agencies should use the most appropriate guidance material (e.g. the *Project Assessment Framework*, the related Queensland Public Private Partnership policy document, or with respect to government building projects the *Capital Works Management Framework*) to identify the best option for delivering their project. The Commercial Group, within Queensland Treasury, has a key role in actively engaging with the private sector where the potential for private finance exists and if the expected net present value of a strategic service priority will exceed a whole-of-life project cost of $100 million.

1.2 Preparing budget documentation

Activities to be undertaken in order to prepare budget documentation include:

- producing project bids
- providing forward estimates
- compiling budget submissions

Project bids should include sufficient detail to enable Government decision-makers (e.g. the Cabinet Budget Review Committee or other Government committees) to make an informed decision regarding whether to approve the proposed project.

Project budgets should provide initial cost estimates and the basis for cash flow estimates for capital works projects. When developing estimates for government building projects, departments are to use forecasts for escalation in building costs and declare the confidence
level of the building estimate in accordance with the requirements of the CWMF (policy requirement 2).

The confidence level of the estimate is based on the information available and level of certainty at various project stages. It is preferable if departments develop building projects to category 3 estimate level (i.e. project delivery/schematic design) before seeking final budget and funding approval from Executive Government or another delegated body, in order to manage the risks associated with subsequent project delivery.

1.3 Formulating programs

As the final phase in the project development process, program formulation should enable agencies to develop a capital acquisition plan. Agencies should consult with the Department of Housing and Public Works if a whole-of-Government approach is required to the planning and delivery of specific projects, to ensure the delivery schedule and procurement methodology benefit the Government and the community. This is consistent with Policy requirement 1 of the CWMF (centralised workload smoothing and program management for medium and low value projects – i.e. Building Construction and Maintenance category of procurement)

2.0 Project delivery

Specific responsibilities related to key stages of project delivery for government building projects (i.e. project definition, procurement strategy and consultant/contractor selection, design and construction, and handover) are addressed in the CWMF policy, guidelines and other supporting documents e.g.:

- the use of standard contracts
- selection of the procurement strategy and form of contract for all High Risk/Significant (HRS) projects\(^2\)
- selection of prequalified consultants and contractors
- monitoring and reporting (of the performance of prequalified consultants and contractors directly engaged by agencies):
  - financial and management risks
  - compliance with workforce management legislation and policies
- development and implementation of a legislative compliance strategy for each government building project commensurate with the level of risk and cost of the project
- undertaking commissioning and handover.

The selection process for consultants and contractors for government building projects is supported by the Prequalification (PQC) System which is administered by the Department of Housing and Public Works.

\(^2\) High Risk/Significant (HRS) projects is defined in Attachment 5 of the Capital Works Management Framework
The CWMF highlights the importance of:

- life-cycle cost considerations in the management of capital works projects and programs and of the transition between building construction and management-in-use (i.e. maintenance and operations)
- articulating the roles of building industry consultants and contractors with regard to implementing the requirements of the CWMF and the Prequalification (PQC) System for building industry consultants and contractors in all agreements between the department and its service providers (both private and public sector).

Project review comprises the building performance review (also known as post-occupancy evaluation) and the process review stages. The scale, risk and strategic importance of the project and the service program will impact on the extent of project reviews. Further guidance is provided in the CWMF policy document and its associated guidelines: Project Review and Handover and in the Strategic Asset Management Framework guideline: Post Occupancy Evaluation.

Departments should consider conducting a project review concurrently with the handover process because commissioning and handover activities provide valuable information on project processes and the outcomes achieved.
Attachment 1: List of policies and other relevant resources

**Building Act 1975** (Queensland): regulates building development approvals, building work, building classification and building certifiers.

**Building Asset Performance Framework** (Department of Housing and Public Works): a best practice guideline for the performance assessment of Queensland government buildings. Using the performance indicators and performance measures in the BAPF will ensure that agencies have a systematic approach to managing the performance of their building portfolio to meet service delivery requirements.

**Capital Works Management Framework** (Department of Housing and Public Works): the Queensland Government's key policy for managing risks in the planning and delivery of government building projects. It identifies the major risk areas and sets out the steps that should be taken to manage those risks and achieve consistency and high quality outcomes in the procurement of government building projects. The CWMF comprises the policy document and a suite of supporting guidelines, policy advice notes and other documents. The policy document outlines the capital works management process, which is a generic process that adopts a strategic asset management approach for the initiation, development and implementation of building projects. In this context, the Framework overarches and gives effect to the whole-of-Government Prequalification (PQC) System for building industry contractors and consultants seeking to undertake government building contracts and commissions.

**Capital Works Management Framework guideline: Handover Guidance for commissioning and handover associated with Government building projects** (Department of Housing and Public Works): provides best practice advice for government departments on managing handover activities to facilitate a smooth transition between project delivery and operations/maintenance.

**Capital Works Management Framework guideline: Procurement Strategy and Contract Selection** (Department of Housing and Public Works): applies primarily to the project delivery phase of the capital works management process, which incorporates the project definition, procurement strategy, consultant/contractor selection, design and construction, and handover stages.

**Capital Works Management Framework guideline: Project Definition** (Department of Housing and Public Works): focuses on the project definition stage and, in particular, on the preparation of a project brief produced as a result of the project definition process. It also provides an outline of pre-design studies and accommodation guidelines and their context in the project definition stage. It offers guidance to agencies to enable them to improve their ability to undertake the project definition stage of project delivery.

**Capital Works Management Framework policy advice note: Estimate Categories and Confidence Levels: An initiative to improve budget formulation for government building projects** (Department of Housing and Public Works): is part of the Government’s strategy aimed at improving the quality of building cost estimates associated with government building projects. The **Capital Works Management Framework** includes a requirement (policy requirement 2) that departments, after prior consultation with the Department of Housing
and Public Works, declare the confidence level of their estimates when presenting budget submissions for building projects to Government.

Confidence levels are determined through the application of the standard estimate categories outlined in Table 1 of this policy advice note. Each estimate category reveals basic information about how and when the building cost estimate was compiled and how it should be used (including the level of confidence project stakeholders should have in the estimate).

Financial Accountability Act 2009 (Queensland Treasury): provides for accountability in the administration of the State’s finances, provides for financial administration of departments and statutory bodies, repeals the Financial Administration and Audit Act 1977, amends the Government Owned Corporations Act 1993 for particular purposes and makes consequential or minor amendments to other Acts.

Project Assessment Framework (Queensland Treasury): is the foundation framework for ensuring that project initiation and development is undertaken effectively across the Queensland public sector and delivers value for money to the government from its significant investment in project activity. Related policy documents include Queensland’s Public Private Partnership (PPP) policy document and Guidelines for the assessment of market-led proposals (MLPs). The Financial and Performance Management Standard 2009 provides that Queensland public sector agencies must have regard to these frameworks in preparing evaluations for significant asset investment.

Project Assessment Framework guideline: Cost Benefit Analysis (Queensland Treasury): supplements the Project Assessment Framework and gives agencies practical advice regarding the:

- issues to consider when conducting a financial and economic analysis of project options at either the Preliminary Evaluation or Business Case Development stages of a project
- total life-cycle cost of the building asset (or ‘net present value’) which is the sum of all annual expenditure for the expected life of the asset with the expenditure for each year discounted by the appropriate discount rate.

Project Assessment Framework guideline: Strategic Assessment of Service Requirement Guideline (Queensland Treasury): provides guidance regarding the strategic assessment of issues to consider prior to the initiation of a project. It facilitates the strategic business decision of whether a project response is required to address an identified service need.

Queensland Indigenous (Aboriginal and Torres Strait Islander) Procurement Policy (Department of Aboriginal and Torres Strait Islander Partnerships): provides a whole-of-government framework to increase procurement with Indigenous businesses to be three per cent of the value of government procurement contracts by 2022. Under this policy, an Indigenous business is at least fifty per cent owned by Aboriginal peoples and Torres Strait Islander peoples.

Queensland Procurement Policy (QPP) (Department of Housing and Public Works): is the whole-of-Government policy which delivers benefits for government, suppliers and the community through three objectives:

- advancing the priorities of the Government
• achieving value for money
• ensuring probity and accountability for outcomes.

Planning for significant procurement is critical to successful procurement outcomes. The associated Queensland Government Procurement Strategy and Governance under the QPP, including the Building Construction and Maintenance (BCM) council support with providing additional guidance regarding:

• mandatory requirements for agencies in the QPP
• other relevant Queensland Government Chief Advisor (Procurement) publications and whole-of-Government policies
• development of a significant procurement plan.

Agencies must ensure that systems, policies and procedures are established that are able to withstand public scrutiny and which preserve private and public sector confidence in the procurement process. This includes documenting procurement decisions to demonstrate a clear decision-making process.

Planning Act 2016 (Queensland): regulates development in Queensland and seeks to achieve ecological sustainability by managing the development process and its effects on the environment.
The suite of guidelines which comprise the Strategic Asset Management Framework (available online at www.hpw.qld.gov.au) is organised under the following categories:

1. **Overview** - explains the principles and concepts of strategic asset management as they apply to buildings.

2. **Guidelines** - expand on key aspects of strategic asset management to inform decisions over the entire life-cycle of the asset.

3. **Decision-making methodologies and guidelines** - support agencies to implement best practice strategic management of buildings.

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