

Capital Works Management Framework

Centralised Program and Project Coordination

Bundling and scheduling of medium and lower value government building projects

The *Capital Works Management Framework* has recently been amended to include a requirement (policy requirement 1) that departments consult with the Department of Housing and Public Works to identify priorities and to jointly develop an agreed delivery schedule and procurement methodology (including the determination of bundling and/or optimum procurement methodologies as appropriate) for medium and lower value projects (estimated to cost between \$0.5 million and \$20 million).

The purpose of this policy advice note is to provide departments with further information regarding this centralised program and project coordination initiative.

Background

Current levels of activity and growth in the construction sector have continued to lead to competitive bidding to attract labour, longer working hours, shortages in key building trades causing project delays, and a decline in work quality as lower-skilled labour is attracted to the industry. The procurement of Queensland Government building projects has been noticeably impacted by this high level of construction industry activity and the diminishing share of government work opportunities relative to total industry activity.



To address this situation, Executive Government decided in late 2007 that the Department of Housing and Public Works would undertake a centralised workload smoothing and program management role (including the determination of bundling, rescheduling and/or optimum procurement methodologies as appropriate) for medium and lower value government building projects, where appropriate and in consultation with all departments. This workload smoothing role involves the staging or sequencing of procurement and building project delivery processes in such a way that high and low levels in resource demand over time are minimised or removed. Accordingly, this smoothing of program and project delivery will serve to provide building industry contractors with opportunities to offer continuity of work to individual employees and trade contractors.

What is ‘scheduling’ and ‘bundling’?

‘Scheduling’ and ‘bundling’ are terms used to describe certain aspects of the Government’s centralised workload smoothing and program management strategy for medium and lower value government building projects. The purpose of both activities is to facilitate procurement of government building projects in a manner suited to the characteristics of the market in which the projects are located.

Scheduling

The term ‘scheduling’ describes the determination of the timing and/or sequence for the delivery of two or more separate contracts for government building projects.

Bundling

The term ‘bundling’ describes the grouping together of two or more government building projects under a single contract. Such a contract can require a number of contract elements, stages or separable portions to be constructed concurrently (i.e. at the same time) or sequentially (i.e. in a particular order). Alternatively, the contract could involve a staged process whereby, upon satisfactory completion or satisfactory partial completion of the first element or separable portion, the contractor could be permitted to move onto the next phase of the contract (i.e. the next element or separable portion) and so on.

How will the procurement of medium and lower value projects be coordinated?

The bundling and scheduling of medium and lower value government building projects is to be jointly determined by departments and the Department of Housing and Public Works during the program formulation phase of the capital works management process. The Department of Housing and Public Works will consider the economic situation in Queensland’s regions and, where appropriate and in conjunction with the relevant departments, centralise and coordinate workload smoothing and program management for these projects prior to government building programs and projects being rolled out.



Centralised Program and Project Coordination

Where appropriate, tenders for the delivery of government building projects will be:

- bundled (for concurrent or sequential construction) to take advantage of situations where the nature of the works and/or geographical location of the projects will facilitate more effective use of limited resources
- scheduled in recognition of stressed regions, trades or suppliers.

Local sources will be used, where relevant, to verify scheduling and bundling opportunities and to facilitate broader stakeholder participation and engagement. Affected departments will be consulted regarding these opportunities to ensure there are no compelling reasons to use a different approach, and to secure their support and cooperation for each proposal.

As a guiding principle, where the timing for construction of government building projects to meet departments' critical service delivery objectives is inconsistent with the optimal regional approach to procurement, the achievement of critical service delivery objectives should prevail. In this context, departments may apply to the Director General, Department of Housing and Public Works, for an exemption from *Capital Works Management Framework* policy requirement 1. Where exemption has not been granted and agreement among affected agencies cannot be reached in relation to the procurement process, the Department of Housing and Public Works will, through its Contracts Committee (an established governance committee reporting to the department's Corporate Governance Board), exercise its authority to schedule, bundle and/or determine a procurement methodology.

What are the benefits of bundling and scheduling projects?

The bundling and scheduling of medium and lower value government building projects will increase the potential for achievement of the Government's priorities with respect to delivery of its building capital works program (i.e. value for money while meeting critical service delivery objectives). In particular, centralised workload smoothing and program management of government building projects will reduce the competition among departments for resources, contractors and/or suppliers in an over-heated market. As the bundling of projects can make tender packages more attractive to contractors, it is anticipated that an increased number of tender responses will be received, and/or contractors with more appropriate skill sets and capabilities will be encouraged to tender, leading to increased competition and improved value-for-money outcomes.

In rural and regional communities where there is limited competition, resources and supplies, the Government's bundling and scheduling initiative should result in the more effective management and implementation of project timelines. Instead of a tendering arrangement whereby a single, small project is offered with no guarantee of further work, building industry contractors may be able to access multiple projects under a single contract, providing continuity of work and economies of scale with respect to staff resources, equipment and purchase of supplies. Conversely, the initiative will not be required where there is sufficient competition within a rural or regional community, and where the local industry is providing value-for-money outcomes to the State.



For further information

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