



2nd April 2018

John Scalzi
DECD
31 Flinders St
ADELAIDE SA 5000

Dear John

PROGRAM MANAGEMENT OFFICE – CALL FOR EXPRESSIONS OF INTEREST

Further to your recent call for expressions of interest in a PMO, the ACA wish to comment on a number of issues which we believe need to be clarified prior to calling of tenders for such a service.

We understand the pressures to outsource the Program Manager's functions rather than deliver them in-house, but note that numerous reports, including the Productivity Commission report on Infrastructure, the Orgill report, various ACIF and APCC procurement guidelines and the recent WA report all caution about the risks associated with outsourcing procurement expertise. It is therefore especially important to ensure the right relationships, reporting lines, KPIs, risk profiles and incentives for best outcomes are built into the tender for this function.

We have previously discussed the role of the managing architect, as noted in the Orgill report, as delivering the best outcomes in school building projects. We also note the trend in WA and Victoria to limit the role of program manager, keeping the project manager in-house to limit duplication of personnel and cost. From the EOI section 3.1 we believe it is not clear if the Program Manager's Office is an strategic advisors role, assisting DECD with developing standards/documents/procurement policy and internal reporting or if the Program Manager's Office is acting as a Project Manager on each project.

The current description of the program manager's role appears to duplicate the functions currently undertaken by DPTI, some of which should be undertaken by a managing architect and some which are purely contract administration roles. We also believe some roles, such as auditing of performance and construction, should stay within the Department due to the inevitable conflicts of interest if undertaken by the Program Manager. We also believe cost management functions for projects should remain independent of the Program Manager's Office. The Program Manager's Office should provide internal DECD financial reporting as noted in section 3.1.18.

We hope that the contracting arrangements for your projects will adopt standard contract forms to ensure risks are clearly understood and properly distributed. We would not like to see the Program Manager's Office being able to use non-standard contracts to shift risk and unfairly allocate that risk to others in consultant contracts or building construction contracts.

In our ACA DECD meetings to date we have also talked extensively about design leadership and DECD's desire to be at the forefront of innovative design. Nowhere in the EOI does it talk about the relationship between innovation and risk; how to manage that risk and how, most importantly, foster good relationships within the project team.

As the recent WA Special Inquiry into Government Programs and Projects states:

“Points of failure for projects are often linked to poor project management. In the context of this discussion project management refers to:

- governance and oversight;
- planning;
- the application of project management disciplines;
- financial analysis and management;
- risk management;
- procurement;
- contract development and management;
- commercial negotiations;
- benefits realisation; and
- **very importantly, relationships.”¹**

As noted above the role of managing architect with a clear definition of roles that support and build meaningful project relationships will provide DECD with best value and best for project outcomes.

The EOI project program 3.2 of 30 projects annually is supported as it provides a realistic program for DECD, the Program Manager’s Office, the consultant industry and building contractors to manage with-out overheating the market.

Issues which we believe need to resolved include:

- The role of the DECD Project Manager: traditionally the role of the DECD representative has been to ensure compliance with DECD policies and procedures and to act as a liaison with schools and DECD head office.
- Who is the Superintendent of the Contract?
- If the Project Manager is to be the Superintendent there is a clear conflict of interest in any auditing roles which should remain independent.
- If there are cost blow outs and the Quantity Surveyor is engaged by either DECD or the Program Manager, who is responsible for bringing the project back on budget and at whose cost?
- Is Architect engaged by DECD or the Program/ Project Manager?
- Who is responsible for managing the team of sub-consultants?
- Who is responsible for the establishment of program and possible delays given the statutory requirement for planning?
- How will this arrangement work for Design and Construct projects?
- How is the project team composition arrived at for a particular project?
- Does the Program Manager have a role in consultant selection?

We understand from our colleagues in Victoria that their Education Department has chosen to manage their program using a Program Manager with a very specific scope of responsibilities and that Managing Architects undertake the remainder of the roles for projects under \$10m to provide the best value for money for their capital works program. We believe a similar arrangement could work well here for DECD.

We realise you are working to tight timelines but would welcome a meeting as soon as possible to discuss this issue further.

Yours faithfully



John Held

President, ACA-SA

¹ WA Government Special Inquiry into Government Programs and Projects Final Report February 2018 p.96