LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

QON No. 50

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
JEREMY HANSON MLA (CHAIR), MICHAEL PETTERSSON MLA (DEPUTY CHAIR), MARK PARTON MLA, SUZANNE ORR MLA

Inquiry into referred 2016–17 Annual and Financial Reports
ANSWER TO QUESTION ON NOTICE

Asked by MR COE MLA:

Chief Minister, Treasury and Economic Development Directorate 2016/17 Annual Report, Procurement and Capital Works, Output 8.1

In relation to Accountability Indicators and Future Direction:

1. The proportion of government-funded annual Capital Works program supported with project procurement services was 77 per cent against a target of 90 per cent. What factors led to this shortfall in terms of meeting this accountability indicator?
    a. Have any processes been implemented in order to meet the target in future years?
        i. If so, please outline these processes;
        ii. If not, why not?

2. Please provide the reasons why Procurement and Capital Works was removed to the Economic Development stream of CMTEDD.

3. Please outline the steps implemented to ensure that "procurement reforms achieve greater value for money on all major infrastructure projects and goods and services projects".
    a. How is the value for money principal being reinforced during the procurement process?
    b. Was this an area identified in any reports or reviews?
        i. If so, please provide the reviews and/or reports this area was reference in.
    c. What metrics will be used to determine if the Government is successful in achieving this goal?

4. How will value for money be assessed?
    a. Have or will any past procurements be assessed to determine whether they provided value for money?
        i. If so, please provide:
            1. A list of these past procurements and;
            2. The results of each assessment.

Mr BARR MLA: The answer to the Member's question is as follows:–

1. The variance is due to some agencies making partial use of Procurement and Capital Works support, including in establishing specific panels of contractors, prequalification of tenderers, active certification for WHS, managing the call tender process, tender publication, and contract execution services, but for a range of reasons not utilising the full service. Some large 'one off' projects such as Capital Metro and the Public Housing Renewal programme have also received exemptions from the full use of these services, and so tend to skew the numbers.

a. i. This figure has increased four percentage points over the last 12 months. Further improvement on that figure is expected once guidance material on engaging with Infrastructure Finance and Capital Works (IFCW) is developed which aims to better realise the efficiencies, savings and improved project delivery times evidenced by the early engagement of IFCW on a number of recent projects.

2. This best reflected the need for a centrally led, whole of Government approach to procurement and to capital works delivery.

3. As set out in the Annual Report, steps and initiatives aimed at ensuring procurement reforms achieve greater value for money include:
   - deliver whole of government training on The Capital Framework,
   - implement the third phase of procurement reform projects under the SMS Procurement Reform Program,
   - undertake Post Implementation Reviews as part of the Capital Framework, and
   - review and update the Sustainable Procurement Policy.

4. Assessment of value for money will continue to be assessed in accordance with the provisions of the *Government Procurement Act 2001* and any relevant guidance material published from time to time. An example of the Value for Money (VfM) determination is on the Territory's two Private Public Partnerships (PPP). This is determined by comparison of the PPP Contract price to the Public Sector Comparator (PSC). These numbers are publically released in the PPP Contract Summary.
   a. Yes.
      1. The PPP projects in the ACT Territory:
         - ACT Law Courts PPP
         - Light Rail Stage One PPP

      2. The value-for-money comparison between public sector delivery and private sector delivery for the whole of life cost is
         - ACT Law Courts PPP a 9.9% improvement (scope adjusted) over the PSC
         - Light Rail Stage one PPP a 10.7% improvement over the PSC

Approved for circulation to the Standing Committee on Economic Development and Tourism

Signature: Andrew Barr Date: 29.11.2017

By the Treasurer, Andrew Barr MLA