



## ***Client Skills:***

**Skills required  
by Government as the  
Construction Industry Client**

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## **APCC MEMBER AUTHORITIES AS AT JULY 2002**

**Department of Public Works and Services**  
New South Wales

**Building Commission**  
Victoria

**Procurement Branch, Department of Treasury and Finance**  
Victoria

**Department of Public Works**  
Queensland

**Department for Administrative and Information Services**  
South Australia

**Department of Housing and Works**  
Western Australia

**State Supply Commission**  
Western Australia

**Department of Industry and Technology**  
Western Australia

**Department of Infrastructure, Planning and Environment**  
Northern Territory

**Department of Finance and Administration**  
Commonwealth

**Department of Treasury**  
Australian Capital Territory

**Ministry of Economic Development**  
New Zealand

Australian Procurement and Construction Council Inc.

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# **GOVERNMENT AS THE CLIENT**

## **INTRODUCTION**

The Australian Procurement and Construction Council (APCC) is the peak council of departments responsible for procurement and construction policy for the Australian Commonwealth, State and Territory governments.

Governments in Australia are major clients of the building and construction industry, commissioning 25% - 30% of non-residential building, 35% - 40% of engineering construction and a small amount of residential building.

The APCC is committed to delivering a wide range of outcomes aimed at improving the efficiency and effectiveness of government procurement in its delivery of goods and services to the Australian community.

## **DEFINITION**

For the purposes of this paper the term 'client' shall refer to the party or parties, which interface with the construction industry in the procurement process.

The term "construction industry" used throughout this paper encompasses both the building and construction sectors.

The focus is on governments in their role as the 'client' rather than on any particular way in which jurisdictions organise and conduct their business.

## **PURPOSE**

Governments as major clients within the construction industry have a significant impact on project outcomes through their practices and through the conduct of public sector procurement processes and therefore, are a major influence on the construction industry and its performance.

Construction procurement is often complex, inherently risky, and requires specific skills and expertise to optimise outcomes. Governments as 'clients' have specific responsibilities when engaging with the construction industry.

Owner/sponsor obligations include managing public sector processes, meeting service delivery needs, managing the scope of work and also the relationship with those engaged to develop and deliver the project.

Further requirements include identifying and managing the risks, monitoring and measuring the performance of the contracted parties, managing the transition from the planning role to the contracting role, and maintaining responsibility for any changes to the scope of work and the impact on time and cost as well as stakeholder and project outcomes.

In recent years decentralisation, devolution, outsourcing, as well as new relationships and new forms of contracting have eroded the traditional role of public works authorities and in some instances transferred the building asset procurement role to agencies, some of whom have little or no construction or design expertise or knowledge of the policies and processes endorsed by government.

Although Commonwealth, State and Territory jurisdictions are at different points on a continuum of decentralisation and devolution, all governments recognise the need for a capacity to create policies, develop procedures and promulgate best practice so construction projects can be delivered efficiently and effectively.

While a wide range of professional skills and expertise can be purchased from the private sector, all governments need to retain a capacity to engage the private sector, manage risks and the contract relationships to ensure their government's interests are protected.

## **THE GOVERNMENT CONSTRUCTION PROCUREMENT ENVIRONMENT**

The environment in which Commonwealth, State and Territory governments procure services from the construction industry is evolving. Well-developed skills and competencies as well as practical experience are acknowledged as a prerequisite by both the public and private sectors to ensure that construction procurement risks are minimised and project outcomes are optimised.

The emerging environment is characterised by devolution, decentralisation, outsourcing and new forms of contract which create new relationships and raise different expectations. Public sector agencies across Australia now contract for a wide range of construction services from the private sector, but are required to maintain a role in managing the processes on behalf of government.

Notwithstanding this shift, government agencies are accountable for ensuring that each project is:

- delivered within its budget;
- completed on time;
- meets the end users' objectives;
- managed appropriately from the outset to completion; and
- complies with government requirements for probity and accountability.

In parallel with the public sector shift from 'doing the work' to 'managing the processes', increased attention is being given to:

- obtaining value for money;
- establishing accountability and transparency of process;
- assessing probity, including dealing with conflict of interest;
- monitoring and evaluating performance; and
- promoting non-adversarial relationships and early dispute resolution.

Both the public sector and the construction industry have identified the need for skilled and experienced people to fulfil the role of client in the project, as well as having skilled and experienced providers of services.

## **THE GOVERNMENT CONSTRUCTION PROCUREMENT ENVIRONMENT (cont...)**

Poor procurement and project management can often be traced back to inadequate planning, lack of clear understanding of roles and responsibilities, unrealistic expectations, inappropriate allocation of risk and inexperienced and insufficient staff resources.

Specific areas of concern expressed by industry participants include:

- the negative effects of devolution to agencies with little experience in construction procurement;
- the loss of construction skills and expertise applied to the procurement process; and
- a need to improve public sector accountability standards.

The construction industry has emphasised the need to address these issues and has identified the need for better project establishment, consistent practices and the use of skilled and experienced people by both the industry and clients.

Commonwealth, State and Territory governments increasingly require the construction industry to abide by agreed and documented principles and practices and to demonstrate necessary competencies, expertise, experience and knowledge as prerequisites for doing business.

The construction industry has argued that government agencies should also be required to demonstrate similar prerequisite skills, display a sound knowledge of the construction industry and established public sector building procurement policies and practices.

## ROLE OF THE CLIENT AND RELATED MANAGEMENT ISSUES

While the environment has changed and will continue to evolve, the skills and expertise necessary to plan and construct public infrastructure has remained relatively constant. Each government as 'the client' still needs to define the project in terms of scope, standards and outcomes and to manage the contracted relationships to ensure successful outcomes.

The skills and expertise which are applied to procurement planning, design and documentation, tendering, project and contract management have a significant and lasting impact on final costs and project outcomes.

Effective risk management and the required skills for any project must take into account its complexity, size, risk and value.

At project initiation all risk resides with government as the client. The capacity of government as the client to manage those risks is dependent on the procurement strategies adopted and the nature of the relationships entered into as the client progressively engages others to deliver the project.

For successful outcomes this requires the client to have the capability, skills and expertise to:

- identify needs;
- negotiate the procurement package;
- manage the contract relationships; and
- monitor the delivery and measure suppliers' performance.

Achieving these outcomes requires government as the client to:

- develop and outline the project definition and scope;
- establish realistic project budgets and program timelines;
- assess and understand the risks and identify who is to manage which risks;
- understand probity, ethical conduct and fairness, accountability, and adopt these standards throughout the project from initiation to completion;
- understand the obligations for inviting tenders (ie prices, bids, quotations, and expressions of interest);
- establish evaluation criteria for consultant and contractor selection;
- understand the principles and application of project management;
- have quality systems and procedures in place; and
- have monitoring, performance measurement and reporting mechanisms in place.

The more complex the project, the more necessary it is for government as the client to have the capability, skills and expertise to ensure these requirements are met.

## **GOVERNMENT CAPABILITIES**

The community is entitled to expect that the public sector will conduct its business activities with efficiency, expertise, economy, fairness, and impartiality and with high standards of probity and accountability. These standards should be reflected in organisational values, ethics and skills development initiatives.

There are a number of measures that governments can take to ensure their public sector agencies acquire, retain and develop skills and expertise to optimise efficiency, effectiveness and value for money from construction procurement and contracting activities.

A number of jurisdictions already have strategies in place to ensure they optimise outcomes from their procurement processes and have access to the range of skills and expertise required.

Commonwealth, State and Territory governments could adopt a system of pre-qualification or accreditation for those public sector persons engaged in procuring services from the construction industry. This would enable agencies within each jurisdiction to assess their capability to undertake construction procurement.

The proposed system would be complementary to the pre-qualification required of the industry as service providers to government and build on the competency standards already established for project management and procurement.

A first order requirement would be to undertake an internal assessment of the government agency's capability similar to the way government agencies as clients, assess private sector capability. This would include self-assessment of:

- organisation capacity;
- knowledge of financial and contractual issues;
- technical and professional expertise and qualifications;
- previous experience and performance;
- capacity to evaluate value for money;
- capacity for innovation;
- capacity to evaluate and manage risks;
- resource availability;
- management systems and accountability; and
- performance management and indicators.

Performance indicators would need to be established and performance management introduced to measure individual agency capability against 'best practice' standards in a similar way to the performance measuring and monitoring of consultants and contractors.

## CLIENT CORE SKILLS AND COMPETENCIES

The environment in which building assets are procured has changed and will continue to evolve. In the past all public sector 'works' agencies had the skills to design, construct and operate buildings. Now most jurisdictions engage the private sector to undertake these functions with appropriate professional skills.

For most governments the emphasis has changed from 'doing' to 'managing' but the public sector still requires sound knowledge of the processes of government, the skills of service purchaser, risk manager and contract administrator, and experience in working with the construction industry.

While a wide range of professional skills and expertise can be purchased from the private sector, governments need to have the capacity to engage the private sector, manage risks and manage the contract relationships to ensure government's interests are protected. Commonwealth, State and Territory governments need to have in place mechanisms, systems, and the skills and expertise to measure their effectiveness in delivering project outcomes.

Generally skills and core competencies demanded of clients as purchasers include:

- Knowledge and experience to ensure effective project and contract management;
- Knowledge and understanding of government policies and practices and legislation requirements, agency goals and requirements, construction industry requirements, construction procurement processes, environment processes, and records management;
- Leadership capability, ethical conduct, relationship management, and multi-disciplinary team building;
- Experience in the application of value management, risk assessment and allocation, performance monitoring and measurement; and
- Highly developed skills and experience including teamwork, problem solving, communication, negotiation and dispute resolution.

The impact of risks arising from complex and sophisticated construction projects require more sophisticated procurement methods, skills and competencies of both the client/purchaser and the contractor/supplier to provide for successful delivery. Government requires highly skilled and experienced people who know best practice procedures, recognise risks, and have a capacity to undertake the risk management role.

## **MAINTAINING A POLICY FRAMEWORK, PRACTICE GUIDELINES AND SKILLS**

Governments benefit from working with well-informed, responsive and efficient construction industry partners who understand the issues and can help ensure the required outcomes are achieved. This environment is most likely to exist where there are consistent policies and practices to inform and guide the industry, and skilled and experienced people within the public sector to work in partnership with the industry.

There is also a need for governments to make clear their expectations of the construction industry and to guide the industry when expectations change as governments adopt new approaches to asset acquisition and service delivery. At a national level this has been done through the work of APCC as the national reference on policy advice, principles and best practice initiatives.

Building on the policies and initiatives of its members, the APCC provides leadership to industry on procurement and asset management and enhances the way in which governments work with the private sector. This includes adopting a consistent national approach to procurement policy, developing and implementing best practice procurement strategies, providing authoritative research and analysis, policy development, guidelines and documentation, and providing a forum for exchange of ideas and information between the construction industry and government. This is reflected within individual jurisdictions through the guidelines each develops and promulgates.

## ISSUES FOR INDUSTRY

### GOVERNMENT EXPECTATIONS

Government seeks to be a responsible client and wants to create an environment in which the construction industry responds positively with innovation and specialised expertise.

Commonwealth, State and Territory governments have a long-term interest in maintaining a viable and internationally competitive construction industry. Each jurisdiction seeks to create an environment in which there is the opportunity for the construction industry to be innovative, efficient and profitable while demonstrating continuous improvement of core skills and competencies.

*Construct Australia* has identified the future procurement environment which takes into consideration strategic purchasing, smart buying and making best use of information technology and knowledge transfer to create and enhance new ways of doing business.

Specific initiatives already in place or being developed include:

- Codes of Practice and associated Best Practice Guidelines;
- Pre-qualification;
- Consultant Selection Processes;
- National Action on Security of Payment in the Construction Industry;
- Principles for Encouraging Best Practice Performance;
- Directions for IT in the Construction Industry; and
- Principles of Asset Management.

The adoption within government of improved and consistent procurement practices will require the construction industry to identify and develop compatible attributes and skills that enable them to gain business as service providers. This will provide the incentive for the construction industry to make the necessary investment in developing their own skills base to respond to skilled and demanding clients.

APCC will continue to consult with and provide advice to the construction industry on public sector needs and expectations, including new directions and innovative approaches which require the industry to upskill so it can respond appropriately to government expectations.