

## TOPIC 1: CONTRACT MANAGEMENT Costing, managing, and terminating

*These notes are a summary of the brainstorm and discussions at the July 09 Industry Forum. The views and opinions expressed do not reflect the views of the RBIA Inc*

### Discussion group members:

|                |                    |
|----------------|--------------------|
| Nicola Booth   | Suzy Tsaprounis    |
| Elisabeth Dark | Frank Gasparre     |
| Gareth Debney  | Georgina San Roque |
| Daniel Whaite  | John Diamond       |
| Judy Christie  | Megan Hughes       |

### Issues:

- Project measures for contracts
- How others manage contracts
- What makes a good contract document
- What makes a good contract manager
- Who are the champions/good practice models
- Getting value for money – what is appropriate for council and companies?
- Small profit margins
- Timeframe and continuity of contracts
- Capacity building for councils
- High turnover of council staff

### Discussion:

- In bush regeneration, similar outcomes, councils mostly assess the methodology.
- In a pure bush regen site, it is difficult to define outcomes.
- Bushland is not valued, therefore work is not well funded – depreciation of bushland
- Lack of accountability: not documenting work
- Problems when council contract managers don't attend site meetings, unaware of the issues. Council supervisors need to know about bush regeneration.
- Contract managers need to be skilled and trained, have standards and rewards. Consistency needed.
- Need improved performance measures that take account of the site context and seasonal variation. Industry needs some more standardized Condition mapping methods. Baseline mapping at commencement important to establish milestones – an early milestone
- Site selection – client should know what the site is like
- Poor specifications, bulldoze everything – how to improve them?
- Maintenance controls – very hard to get performance criteria, monitoring
- Scheduling – contractors taking site managers, when on site.
- Wording in contracts has to be clear, up front.
- Contract managers need assistance with methods and processes for terminating poorly performing contracts.
- Continuity of funding allocations
- Lag periods with financial year contract renewal – affects contractor staffing capacity & progress of site works to date

### Different scenarios for engaging contractors:

- Transparency in tender selection process (selection criteria) ,
- EOI selection panels – not tender process, use of preferred contractors and efficient use of staff time.
  
- Capacity building of council managers needed in what makes a good contract document.
- The SMCMA could be an independent host of a 1 day course, to mentor contract managers.
- Business models – frequency of site visits, number of trained supervisors
- Rescind contracts based on outcomes. This is OK if council managers know the site.

- Definitions are important eg Primary work, secondary work..

**Shared values identified among the group:**

- Equality of work
- Need incentive to work and earn what has been paid anyway
- Accountability
- Transparency and how is this assessed
- Value of bushland not recognised
- What does it cost to do nothing
- Expectations of Council & Contractor

**Requirements of good contract management**

- Regular communication between principal and site supervisor (council)
- Transparent council process of assessing and selecting submissions (council)
- Set criteria that is clear to all (council)
- Meet council tender panel requirements
  - efficient allocation of work
  - if contractor meets performance measures annually, work continues (subject to council funding and performance)
  - required close council supervision
- Business skills, Interpersonal skills, good relationships (principal, contractor)
- Contractor reputation, reference checking
- Third party contract performance evaluation
- Good people management (from both council and contractor perspectives)

**Poor contract management**

- High staff turnover (council and contractors)
- Ignoring performance failures (council)
- Lack of supervision/communication (council and contractors)
- Scheduling of site visits and actually being there!
- Can be difficult to terminate a contract
  - Relates to poor specifications (council)
  - Unclear objectives and methodology (eg asset protection zones)
- Conditions of contract, ie number of staff on site, level of qualification

| <b>Contract type</b>     | <b>Pros/ suitability</b>   | <b>Cons</b>  |
|--------------------------|--|--|
| <b>Lump Sum</b>          | Good for projects where there are easily defined outcomes: <ul style="list-style-type: none"> <li>• Structural projects</li> <li>• Bushland construction</li> <li>• Short fast projects</li> <li>• Good for sub-contracting</li> </ul>               | Cannot apply to “pure” bush regeneration projects, where there is no “end”.<br>Does not take into account variability in weather, context etc<br>Contractors need to wear a large risk <ul style="list-style-type: none"> <li>• Contract specifications must be very very specific!</li> <li>• Not ecologically sustainable</li> </ul> |
| <b>Schedule of Rates</b> | <ul style="list-style-type: none"> <li>• Applicable where contract outcomes are specific and budget range is provided<br/>Indicative costs given and rates given is best</li> <li>• Suits multi-year contracts (where there is certainty)</li> </ul> | <ul style="list-style-type: none"> <li>• Council budgets can change from year to year</li> <li>• Need to factor CPI into multi year contracts (some contracts do not alter their rate over a number of years)</li> </ul>   |

**What is needed next/ agreed actions:**

Look at other models

- Northern Beaches (Warringah/Manly/Pittwater) model tender process – eg. Tenderlink
- Model standard contract specifications for bush regeneration
- Collect good examples. Blue Mountains Council is a good starting point. Invite all people who attended the July pub forum to provide feedback
- Research – what makes a good contract, best practice examples (post eg's on RB IA website)
- Up coming Changes in *Local Government Act*. 10 year funding cycle, 4 year contracts, set up all contracts. Needs to be based on realistic performance measures, what is 'realistic'?
- Get clarification from LGSA and *Local Government Act* if it is within individual local government policies, to roll over the tender process with a schedule of rates contract. What is acceptable, what is legal? Consider risk management in councils and tender funds. Ie. Less than \$30,000 considered minor works
- Frank Gasparre could present at September forum - best practice, results on contract documents and management

#### Capacity building

- SMCMA to host capacity building 1 day workshop for council managers – what makes a good contract document.
- Contractor forum, increase efficiency
- Combine knowledge - follow on workshop

Another opportunity:

Guidance for specifying Asset Protection Zone works that ensure the best possible outcome for biodiversity in addition to protecting assets. Would this need a type of contract agreement where the performance evaluation differs from bush regen contracts.

Working group meeting to go on with next steps, collating examples:

Proposed meeting for 6<sup>th</sup> August, POSTPONED UNTIL AFTER THE SEPTEMBER 09 FORUM.

Date to be advised. Enquiries: [info@restoringbiodiversity09.org.au](mailto:info@restoringbiodiversity09.org.au)