



**Government  
of South Australia**

Department of the Premier and Cabinet Circular

**PC028 – Construction Procurement Policy  
Project Implementation Process**

**August 2015**

## **CONSTRUCTION PROCUREMENT POLICY: PROJECT IMPLEMENTATION PROCESS**

The Construction Procurement Policy: Project Implementation Process was approved by Cabinet on 12 December 2005, updated in 2011 and 2015 and is current.

### **Summary**

This Circular advises on responsibility for construction policy in South Australia and the [Construction Procurement Policy: Project Implementation Process](#), which is applicable by all agencies<sup>1</sup> to every 'prescribed construction project'<sup>2</sup>.

### **Policy**

Agencies are advised that Cabinet has approved that the Minister for Transport and Infrastructure supported by the Department of Planning, Transport and Infrastructure (DPTI) has responsibility for construction policy development and implementation in South Australia.

Construction procurement in South Australia is governed by the Cabinet approved policy, Construction Procurement Policy: Project Implementation Process, as 'prescribed construction projects' are exempt from the requirements of the *State Procurement Act 2004* and the policies of the State Procurement Board.

The Project Implementation Process guides construction procurement, specifically infrastructure and building construction, from the time a decision is taken to include a 'prescribed construction project' on an approved government program. It details the steps that Lead Agencies are required to follow during the Concept, Design, Documentation, Tender, Construction and Review phases of a 'prescribed construction project' to achieve well-designed, appropriately tendered and effectively constructed projects.

The Project Implementation Process sets out in detail the activities in Step 5: Project Delivery of the 5-step Infrastructure Planning and Delivery Framework in the Strategic Infrastructure Plan for South Australia.

Other key features of the policy include:

- overview of the critical role of Lead Agencies, as project sponsors responsible for their projects, for alignment of their project planning with the State's strategic priorities and for effective development of the business cases for specific projects or programs;
- the role of DPTI, a government Infrastructure Agency with centralised expertise in construction procurement and construction industry interface and the required systems and processes for effective procurement of prescribed construction projects;
- the requirement for lead agencies to work with DPTI during construction project delivery, utilising and not duplicating the construction/infrastructure expertise centralised in DPTI;
- integration with Treasurer's Instruction 17: Evaluation of and Approvals to Proceed with Public Sector Initiatives and Treasurer's Instruction 08: Financial Authorisations; and
- focussed requirements for construction projects that are strategically important to South Australia.

### **Policy Update**

In December 2014 Cabinet approved specific arrangements to manage risks in designated 'Strategically Important Projects'<sup>3</sup>. The arrangements prescribe that, on these projects, only

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<sup>1</sup> Except 'prescribed agencies' as defined in the State Procurement Regulations 2005.

<sup>2</sup> a 'prescribed construction project' is defined in the State Procurement Regulations 2005 and the definition is provided in Appendix 1.

<sup>3</sup> The definition of a 'Strategically Important Project' is provided in Appendix 1.

Cabinet makes decisions on 'major variances'<sup>4</sup> in scope, quality, program or budget.

Cabinet will designate at the time a project is approved as part of the Capital Investment Program, that it is a Strategically Important Project. This designation triggers additional obligations on the Lead Minister and Lead Agency to refer to Cabinet any major decision to amend scope, quality, program or cost. The designation will also trigger an assurance role for the Office for Design and Architecture SA to comment in regard to scope and quality on the development of the project from its initial brief.

For all projects, the approval Gateways, which occur at the end of Concept, before Tender and before Construction phases, have been strengthened to place a specific obligation on the Lead Agency to certify that the project has been developed in accordance with the approved project objectives and parameters.

There has been an update to reflect machinery of government changes and the introduction of new policies, such as the South Australian Industry Participation Policy, that impact on the delivery of construction projects.

### **Implementation**

The Project Implementation Process must be applied to every project that is a 'prescribed construction project' undertaken by agencies other than those defined as a 'prescribed public authority'<sup>5</sup> in the *State Procurement Act 2004*.

The policy is applicable regardless of whether the funding is State (capital or recurrent), Australian Government, local government, private sector or other funding sources.

The policy does not apply to minor construction projects, which are those under \$150,000 (excl. GST) in value on completion. These projects must be procured under the *State Procurement Act 2004* and Regulations and State Procurement Board policies. It does not apply to major plant and equipment purchases or to information and communication technology projects.

Government has established centralised expertise in delivering construction projects in recognition that there are specific competencies required to manage project risks, ensure that essential requirements are met and provide best value. Under this policy, its infrastructure agency, DPTI, is responsible for the management of construction projects in the civil and building (commercial) construction sectors. It is recognised that there is varied risk in projects and DPTI will exercise flexibility and tailor its management role according to the specific requirements of the project and lead agency.

Renewal SA and Housing SA, which are 'prescribed public authorities' under the *State Procurement Act 2004* and Regulations, are also infrastructure agencies and have relevant expertise, processes and systems related to construction projects in the residential and land development construction sectors. These organisations may provide advice to agencies with construction projects that have elements of land development and residential construction.

Cabinet submissions for approvals in prescribed construction projects should state that the requirements of Treasurer's Instruction 17: Evaluation of and Approvals to Proceed with Public Sector Initiatives, the Guidelines for the Evaluation of Public Sector Initiatives and the 5-Step Infrastructure Planning and Delivery Framework Process have been met, and the Project Implementation Process will be/is being followed.

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<sup>4</sup> The definition of a 'Major Variance' is provided in Appendix 1.

<sup>5</sup> Prescribed public authorities are listed in the Regulations under the *State Procurement Act 2004* and include South Australian Forestry Corporation, Housing SA, South Australian Water Corporation, Superannuation Funds Management Corporation of South Australia and Renewal SA.

**Information**

For information about the Construction Procurement Policy: Project Implementation Process:

**DPTI Safety and Service Division**

Mr Jon Whelan, Manager Projects  
Level 1, 77 Grenfell Street, Adelaide SA 5000  
GPO Box 1533, Adelaide SA 5001  
Telephone (08) 8343 2269

For Capital Investment Program and budget information and for economic analysis:

**Department of Treasury and Finance Budget Branch**

State Administration Centre  
Level 7, 200 Victoria Square, Adelaide SA 5000  
GPO Box 1045, Adelaide SA 5001  
Telephone (08) 8204 1119

For information about the Strategic Infrastructure Plan for South Australia:

**DPTI Development Division**

Roma Mitchell House  
Level 6, 136 North Terrace, Adelaide SA 5000  
GPO Box 1533 Adelaide SA 5001  
Telephone (08) 7109 7101

The Construction Procurement Policy: Project Implementation Process is available from <http://www.dpti.sa.gov.au/publications> under the heading 'Infrastructure publications'.

## Appendix 1: Definitions

**'Prescribed construction project'** as defined under the State Procurement Regulations 2005.

A prescribed construction project:

- (a) is a project that primarily involves the procurement of construction work; and
- (b) encompasses:
  - (i) the acquisition and installation of fixtures, plant, equipment, appliances and fittings in conjunction with construction work; and
  - (ii) the acquisition of survey, planning, design and other services in conjunction with construction work; and
- (c) does not encompass the acquisition of goods and services for the ongoing maintenance of a building or structure.

In the Regulation:

**building work** has the same meaning as in the *Building Work Contractors Act 1995* and is:

- (a) the whole or part of the work of constructing, erecting, underpinning, altering, repairing, improving, adding to or demolishing a building; or
- (b) the whole or part of the work of excavating or filling a site for work referred to in paragraph (a); or
- (c) work of a class prescribed by regulation.

**construction work** means

- (a) building work; or
- (b) the whole or part of the work of excavating or filling land not constituting building work.

### **'Strategically Important Project'**

A publically funded project over \$11 million in value (inclusive of GST) designated as such by Cabinet. A Strategically Important Project is generally a project that has particular importance to the public realm and/or to the Government of South Australia's policy objectives and strategic plans and/or to the economic development of South Australia.

### **'Major Variance'**

Major variance means:

- deletion of major scope elements included in the business case and/or initial project brief; or addition of major scope elements not included in the business case and/or initial project brief approved as a basis for inclusion of the project in the Capital Investment Program;
- changes to the design that will require re-submission for design review by Office for Design + Architecture SA.
- changes to the design that will require resubmission for development/Coordinator-General approval;
- predicted cost overrun of greater than 5%; or
- predicted delay to the completion date of greater than three months.