LODDON SHIRE COUNCIL

PROCUREMENT STRATEGY 2019-2021

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PROCEDURES: Council Plan 2017-21
                               Strategic Procurement Service Delivery Review 2017
                               MAV LEAP Program Review 2018
                               ArcBlue Improving Aboriginal Procurement in Local
                               Government Report
RELATED LEGISLATION: Local Government Act 1989

EVIDENCE OF APPROVAL:

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This document is available in alternative formats (e.g. larger font) if requested.

CONTENTS

1   PURPOSE

The Procurement Strategy (Strategy) outlines Loddon Shire Council's (Council's) strategic approach to procurement over the next two financial years – 2019/20 and 2020/21. This timeframe was selected to align with the current Council Plan which spans 2017-2021.

The Strategy was informed by two key documents:
1. Strategic Procurement Review ('SPR') - a review undertaken in 2017 by the Director of Corporate Services, Sharon Morrison and approved by Council on March 2018; and
2. MAV LEAP Program Review ('MLP') 2018 – Council joined the LEAP Program run by ArcBlue in 2018 and an initial assessment of Council's procurement maturity level was undertaken.

These documents included 66 recommendations and actions for Council to build and enhance its procurement capabilities. To date 28 have been completed (refer to Appendix 1).

The Strategy and associated action plan incorporate 22 further actions and recommendations from these and other documents. Consideration is given to what a realistic level of achievement would be over a two year period. The remaining actions and recommendations are intended to be included in the next Procurement Strategy for 2021-2025.

2   BUDGET IMPLICATIONS

2.1   Cost to Council

The majority of the actions required to achieve the strategy objectives will be undertaken by the existing procurement team. Input and time will also be required from different Council department staff, consistent with a centre led approach to procurement.

Costs to Council are expected to be primarily in the area of technology and the implementation of new systems. These costs are detailed below in Section 8 – Costing and funding of actions.

2.2   Benefits for Council

Achievement of the Strategy objectives will result in the following significant benefits to Council:
*   increased efficiency in procurement processes
*   greater transparency of transactions
*   improved governance of the procurement process
*   reduced opportunity for fraud and corruption
*   better contract management to ensure delivery of ordered goods and/or services
*   improved internal audit outcomes
*   reduced risk of compliance issues
*   reduced risk of reputational damage resulting from external investigation
*   a centre-led procurement approach
*   streamlined processes which result in time saving for staff who can redeploy to other value add tasks
*   increased management and procurement reporting capabilities to enhance management of departmental budgets and Council spend.

Actual savings in goods, services, works and assets procured are difficult to quantify, but a savings target of $100,000 per annum across Council procurement is considered achievable in the first year after full implementation of the Strategy i.e. the year ended 30 June 2022. This amount offsets the full cost of employment of the Procurement Coordinator.

A register of soft savings (savings expected to be delivered by a contract through efficiencies) and hard savings (estimated or actual dollar savings expected to be delivered by a contract) will be developed and maintained to enable regular reporting on savings achieved by centre led procurement.

3   RISK ANALYSIS

The risks have been divided into two categories – the potential risks of implementing the strategy and the potential risks of not implementing the strategy.

3.1   Potential risks of implementing the strategy

Risk	Likelihood	Consequence	Overall Rating
Cost to implement action items may exceed estimates.	Possible (C)	Minor (2)	Medium (8)
Existing software and technology is unable to support strategy initiatives such as Key Performance Indicator (KPI) reporting.	Possible (C)	Minor (2)	Medium (8)
Low stakeholder buy-in to enable achievement of the strategy.	Possible (C)	Minor (2)	Medium (8)
Unrealistic timeframes set for objective actions.	Possible (C)	Minor (2)	Medium (8)

3.2   Potential risks of not implementing the strategy

Risk	Likelihood	Consequence	Overall Rating
Procurement policies and procedures are not robust enough to adequately mitigate compliance risk.	Possible (C)	Moderate (3)	Medium (13)
Procurement policies, procedures and internal controls are not robust enough to adequately mitigate the risk of fraud and corruption.	Possible (C)	Major (4)	High (18)
Council does not have sufficient information on procurement performance indicators, including visibility across spend categories to ensure that best value is being obtained.	Possible (C)	Minor (2)	Medium (8)
Non-conforming tender and contract management practices.	Possible (C)	Moderate (3)	Medium (13)
Council will not progress from the 'developing' stage to the 'advanced' stage.	Possible (C)	Moderate (3)	Medium (13)
Key reportable actions set by external bodies are not completed in a timely manner.	Possible (C)	Major (4)	High (18)

Potential risks of not implementing the strategy far out-weigh the risks of implementing the strategy. Mitigation of the risks in section 3.1 are included in the action plan.

4 PROCUREMENT STRATEGY 2019-2021

4.1 Context

In March 2018 a procurement maturity level assessment was conducted and established that Council was at the 'emergent' stage of the procurement maturity model.

At this time, procurement activities were largely decentralised and several compliance gaps had been identified.
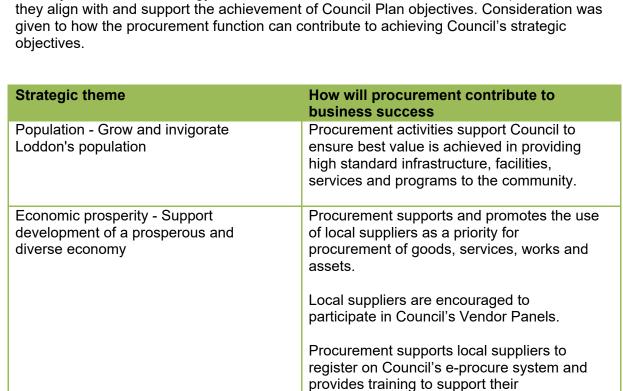
In September 2019, a reassessment of Council's procurement maturity level was undertaken and identified that Council has moved from 'emergent' to 'developing'. (See adjacent diagram for explanation of stages.)

The Strategy aims to progress Council from 'developing' to 'advanced' stage.

The Procurement Strategy for 2021-2025 would then seek to bring Council into the 'leading' stage.

4.2 Alignment with Council Plan Strategic Objectives

The objectives in this Strategy and associated action plan have been developed to ensure that they align with and support the achievement of Council Plan objectives. Consideration was given to how the procurement function can contribute to achieving Council's strategic objectives.

Strategic theme	How will procurement contribute to business success
Population - Grow and invigorate Loddon's population	Procurement activities support Council to ensure best value is achieved in providing high standard infrastructure, facilities, services and programs to the community.
Economic prosperity - Support development of a prosperous and diverse economy	Procurement supports and promotes the use of local suppliers as a priority for procurement of goods, services, works and assets.

Local suppliers are encouraged to participate in Council's Vendor Panels.

Procurement supports local suppliers to register on Council's e-procure system and provides training to support their understanding of Council's compliant supplier requirements. |
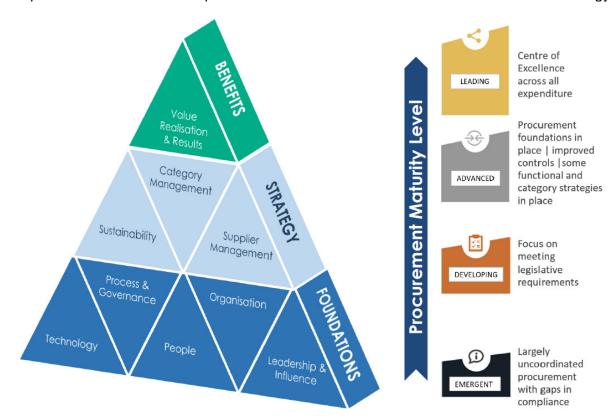
Strategic theme	How will procurement contribute to business success
Liveability - Develop attractive, vibrant and well serviced communities	Procurement activities ensure best value is obtained for Council and community in the creation and delivery of attractive, vibrant and well serviced communities.
Sustainability - Provide leadership which contributes to the sustainability of our region	Procurement activities and decisions include consideration of environmental, economic and social impact.
High performance organisation - Implement frameworks which enable sound decision making and support a high performing and customer focused organisation	Procurement processes and procedures are efficient and compliant. Council employs a best practice approach to procurement activities wherever possible.

4.3 Strategic framework

The strategic framework is based on the ArcBlue Procurement Excellence Dimensions Model (the Model). Procurement maturity increases as an organisation develops it's capabilities in each of the nine dimensions of the Model.

There are three components to the Model: Foundation, Strategy and Benefits. This Strategy aligns predominantly with the Foundation components and some Strategy and Benefits components. The Benefits component will have an increased focus in the 2021-2025 Strategy.

4.4 Foundation components

4.4.1 Leadership and influence

This dimension assesses the influence and leadership of procurement across the Council. A mature and well developed capability will be evident by procurement being led by the Management Executive Group ('MEG') and as a strategically significant function across all areas of Council.

4.4.2 Organisation

A mature and well-developed organisation should display a clear, concise and MEG endorsed organisational structure outlining how procurement will operate.

Procurement should have wide influence across the organisation and be aligned with the strategic goals of the organisation. The resource plan should recognise the skills and number of staff required to achieve this.

This dimension analyses if Council has the most appropriate structure to achieve the business goals.

4.4.3 People and skills

This dimension assesses the level of skills held by the people conducting procurement and the appropriateness of resourcing. This includes those in procurement as well as those conducting procurement processes throughout the Council.

A mature system will have skills assessment and training in place in a structured and monitored manner. Training will be designed to deliver the skills needed to all staff to conduct their particular processes and supported by ongoing professional development.

4.4.4 Process and governance

This dimension focuses on the systematic compliance auditing and accountability frameworks of Council.

This dimension assesses those frameworks effectiveness to drive the right process and behaviours to achieve strategic outcomes for Council.

A mature organisation will have efficient systems that guide and control processing aspects of compliance and risk management frameworks.

4.4.5 Technology

This dimension assesses the utilisation of systems to manage and extract data to inform and drive strategic procurement decisions.

A mature organisation would have the ability, via its technology platform, to view and analyse data enabling the establishment of a comprehensive framework for strategic development and improvement in organisational performance. Systems will also exist to automate and improve the efficiency of "procure to pay" and contract management processes.

Superior systems will link procurement data to other relevant data (such as asset management data) to drive strategic outcomes.

4.5 Strategy dimensions

4.5.1 Supplier management

This dimension assesses the maturity of supplier relationship management and the ability of Council to achieve mutually beneficial outcomes with suppliers.

A mature organisation will understand the 360 degree relationship with all suppliers. Appropriate supplier management strategies will be in place particularly for strategically critical areas of spend. Contracts will be managed through service level agreements, KPIs and other appropriate reporting frameworks.

4.5.2   Category management

This dimension assesses Council's maturity in categorising spend and procurement activity in order to manage spend in an efficient and effective manner.

This dimension assesses the extent and quality of category strategies and how well Council is influencing supply markets to deliver value for money outcomes.

A mature organisation will have a category structure that allows suppliers to be grouped by category and sub-category. Data mapping and the ability to view, sort and interrogate information will be available to provide insights and inform strategic decisions.

Category strategies must be built on more than accumulated spend, they should include market analysis, risk, influence, innovation, alignment and other factors as appropriate to the organisation, category and the market.

4.5.3   Sustainability

This dimension assesses Council's maturity and recognition of the triple bottom line (TBL) - economic, environmental and social, including local spend and Aboriginal procurement. Organisations that consider these aspects recognise there are procurement drivers beyond price alone to deliver business objectives. A mature organisation will understand the areas it can influence and will have policies, objectives and measures to monitor and assess sustainability.

Council invests in local economic, social, environmental or other corporate social responsible areas and links procurement to these as a means of achieving outcomes.

Economic sustainability refers to procurement practices that support local businesses and economic diversity in the municipality.

Environmental sustainability refers to procurement practices that contribute to positive environmental outcomes, maximising long-term benefits for the community (including reducing resources, consumption and minimising waste during the procurement life cycle).

Social sustainability refers to procurement practices that promote positive social outcomes in the municipality. Council may strategically use an appropriate procurement opportunity to generate targeted employment for a specific population group. Examples include Aboriginal and Torres Strait Islanders, people with a disability, the long-term unemployed, culturally and linguistically diverse groups and youth.

This Strategy focuses primarily on economic sustainability. Whilst Council has commenced work in building its capabilities in the area of social sustainability through participation in a regional Aboriginal procurement project, it is expected that this will be developed further in the next Procurement Strategy.

4.6   Benefits dimension

4.6.1 Value Realisation & Results

This dimension assesses how well KPIs, savings, process improvements, good governance and other benefits are identified, measured and tracked.

5   VISION

To provide a high quality, fit-for-purpose procurement service which will provide best value for the Council and will support Council in the delivery of its strategic objectives.

6   OBJECTIVES

In this section, each dimension is given a Loddon focus – strategic objective; past and current performance and future goal.

6.1   Leadership and influence

Procurement is high on the MEG agenda and is a strategically significant function across all areas of Council.

Performance		Target
2018	2019	2020
7	33	47

6.2   Organisation

The procurement function is centre led and its activities support the strategic objectives in the Council Plan.

Performance		Target
2018	2019	2020
10	52	62

6.3   People and skills

Staff involved in the procurement process have the appropriate capabilities and skills to effectively perform the procurement activities required by Council.

Performance		Target
2018	2019	2020
4	31	39

6.4 Process and governance

Procurement activities are efficient, compliant with all applicable legislation and regulations and reflect the highest levels of probity.

Performance		Target
2018	2019	2020
30	36	48

6.5 Technology

Technology is used wherever possible to automate key procurement activities and increase efficiency and compliance.

Performance		Target
2018	2019	2020
21	57	63

6.6 Supplier management

Relationships are developed with suppliers to help them understand legislative requirements and to help achieve best results on supply of all goods and services for the community.

Performance		Target
2018	2019	2020
7	10	20

6.7   Category management

Council spend is categorised and reported on to enhance management of spend in an efficient and effective manner.

Performance		Target
2018	2019	2020
7	15	35

6.8   Sustainability

Council promote sustainable procurement practices through associated policies and procedures.

Performance		Target
2018	2019	2020
17	26	42

6.9   Value Realisation &Results

Council identifies, measures and tracks KPIs, savings, process improvements, good governance and other benefits.

Performance		Target
2018	2019	2020
0	8	63

7   ACTION PLAN

Objective 1 - Procurement is high on the MEG agenda and is a strategically significant function across all areas of Council.

Actions	By when?
1.1 – Develop a simple set of KPIs to measure procurement performance covering areas such as spend, compliance and sustainability elements. Performance against KPIs will be reported to MEG regularly to ensure visibility at Executive level.	30 June 2020
1.2 - Build a procurement plan that schedules all budgeted projects, new contracts and contracts due for renewal. All procurement should be planned and timed against available resources. Reactive procurement should be rare.	30 June 2021

Objective 2 - The procurement function is centre led and its activities support the strategic objectives in the Council Plan

Actions	By when?
2.1 - Implement a centre led approach to managing procurement to minimise risk to the organisation.	Ongoing
2.2 - Provide the procurement team with an opportunity to have involvement with request for tenders (RFT) to ensure that good procurement practices are considered.	30 June 2020
2.3 - Create a documented request for quote (RFQ) procedure to ensure procurement has oversight of RFQ compliance.	30 June 2020
2.4 - Investigate current collaborative procurement practices and actively encourage internal procurement collaboration and spend aggregation.	30 June 2020
2.5 - Identify key internal procurement stakeholders and establish an informal network and communications program focused on key aspects of procurement strategy, framework and practices. Establish a Terms of Reference for an Internal Procurement Network.	31 January 2019

Objective 3 - Council staff involved in the procurement process have the appropriate capabilities and skills to effectively perform the procurement activities required by Council.

Actions	By when?
3.1 Establish a consolidated procurement training calendar that can be accessed by all staff and management. The calendar should be a 'live' calendar that continues to be monitored and updated by management with the assistance of the Learning and Development Officer.	30 November 2019

Objective 4 - Procurement activities are efficient, compliant with all applicable legislation and regulations and can withstand the closest possible audit scrutiny.

Actions	By when?
4.1 - Review and strengthen Procurement Policy and Procedures.	Annually
4.2 - Develop standard contractual documentation to suit a range of projects.	30 June 2020
4.3 - Establish vendor panels to improve organisational efficiency.	30 June 2020
4.4 - Finalise Contract Management Framework.	30 November 2019
4.5 - Develop a basic guide for undertaking procurement activities within the organisation and provide to all relevant new employees as part of their induction process. Consider the use of e-learning to deliver this induction.	30 June 2020

Objective 5 – Technology is used wherever possible to automate key procurement activities and increase efficiency and compliance.

Actions	By when?
5.1 - Develop and implement new chart of accounts.	31 December 2019
5.2 - Implement an electronic purchase order system.	31 December 2019
5.3 - Purchase and implement new finance software to allow for increased efficiency and transparency.	Subject to RCTP* timelines
5.4 - Engage and gain input from procurement into the feasibility, planning and implementation phases of projects that involve new or updated procurement technologies.	Ongoing
5.5 - Identify procurement technology skills gaps for procurement staff and undertake an upskilling program targeted at increasing capability across all these staff.	Annually

* Rural Councils Transformation Program

Objective 6 – Relationships are developed with suppliers to help them understand legislative requirements and to help achieve best results on supply of all goods and services for the community.

Actions	By when?
6.1 Review all key contracts and agreements to ensure that basic service level agreements (SLAs), meeting and reporting framework is in place. SLAs or meeting requirements should be stated at the Request For (various documents) (RFx) stage.	30 June 2020

Objective 7 – Council spend is categorised and reported on to enhance management of spend in an efficient and effective manner.

Actions	By when?
7.1 - Review data sources and establish regular access to expenditure and contract information and other key data sets.	30 June 2021
7.2 - Implement the standard category coding structure within the organisations finance system.	30 June 2020

Objective 8 - Increase Council's percentage of spend and number of suppliers purchased from in the Loddon region.

Actions	By when?
8.1 - Review Council's tender and quotation templates and systems and update to incorporate sustainable procurement expectations.	30 June 2020

Objective 9 - Council identifies, measures and tracks KPIs, savings, process improvements, good governance and other benefits.

Actions	By when?
9.1 – Implement actions in this Strategy.	30 June 2021

8   COSTING AND FUNDING OF ACTIONS

Action	Cost of project	Total expected funding	Net cost to Council	Proposed funding source	Completion timeframe
5.1 Develop and implement new chart of accounts (software upgrade).	$25,000	$0	$25,000	Council	31 December 2019
5.2 Implement an electronic purchase order system (additional software).	$45,000	$0	$45,000	Council	31 December 2019
5.3 Purchase and implement new finance software to allow for increased efficiency and transparency (software replacement).	N/A RCTP	N/A RCTP	$0	RCTP	30 June 2020
5.4 Provide ongoing procurement training to staff with procurement responsibilities.	$20,000	$0	$20,000	Council	Annually

APPENDIX 1: COMPLETED ACTIONS/RECOMMENDATIONS TO DATE

Actions	Dimension
Develop a Procurement Framework.	Organisation
Engage a procurement specialist to support people, policies, procedures and systems.	Organisation
Purchase and implement contract management system.	Technology
Establish an online tendering process.	Technology
Deliver training on procurement including tender evaluation, conflict of interest, signing documentation, the importance of filing all contract documentation on the organisation's Electronic Document and Records Management System (EDRMS), contract management, signing and sealing of contracts, secondary employment.	People and Skills
Review the Staff, Volunteer and Contractor Code of Conduct in relation to secondary employment/business and conflicts of interest.	Process and Governance
Review the Corporate Credit Card Policy and procedure to ensure it meets reasonable and practical standards and ensure staff are aware of the standards.	Process and Governance
Participate in MAV LEAP Program.	Leadership and Influence
Develop a reporting program to raise awareness and understanding of procurement issues, using techniques such as: benchmarking, compliance reporting, savings reporting, internal marketing and communications.	Leadership and Influence
Develop an internal communications program to promote Procurement as the lead for all procurement and advice requirements via use of intranet, newsletters and social media.	Leadership and Influence
A basic training strategy should be developed to ensure a range of systems and training that may include e-learning, face to face or distant learning options. This training should be scheduled as part of an annual training calendar.	Leadership and Influence
Create a documented Purchase Order Procedure to ensure procurement have oversight of purchase order compliance.	Organisation
Undertake a review of procurement to highlight key risks and opportunities in relation to savings, value for money, opportunity for fraud, governance, probity, legislation, contract management, supplier management, etc. to build a business case for a procurement unit.	Organisation
Undertake a review of procurement resources to highlight key	Organisation

Actions	Dimension
risks in relation to savings, value for money, opportunity for fraud, governance, probity, legislation, contract management, supplier management, etc. to build a business case for appropriate procurement resources.	
Review what specific qualifications are best suited to the position and build a business case to demonstrate the return on investment of having a suitably qualified senior procurement position.	Organisation
Review the requirements of the role to meet the procurement needs of the organisation into the future. Job descriptions should list the preferred amount of experience required for future recruitment of the role.	Organisation
Create regular (annual) performance appraisals and ensure specific reference is made to professional development that will identify the gaps and record how those gaps will be addressed.	People and Skills
Review e-learning features and benefits and consider business case for procurement specific training and potentially staff inductions. E-learning should be considered part of a blended learning experience for staff.	People and Skills
Consult with Chartered Institute of Procurement and Supply or other industry associations to gain an understanding of face to face training modules and options available. Create a business case for the introduction of training and ensure a budget is made available to provide opportunities for all relevant staff. Consider regional training with other organisations to assist cost minimisation.	People and Skills
A review of professional development paths should be undertaken in consultation with staff. A business case and professional development plan should be developed to ensure staff are receiving ongoing development that will benefit the organisation.	People and Skills
Establish clear roles and responsibilities for the procurement and contract management staff at each stage of the procurement and contract process. Consider the use of RACI (Responsible, Accountable, Consulted, Informed)matrix to assist all shareholders.	Process and Governance
Communicate and provide guidance to senior and line management across the organisation on the requirement for them to ensure all their staff have been briefed on procurement related internal policies, procedures and systems relevant to their position.	Process and Governance
Upload current procurement policy and procedural documentation, templates and guidance to the intranet.	Process and Governance

Actions	Dimension
Investigate e-tendering options and implement an e-tendering system that best suits the organisation's needs.	Technology
Incorporate a system based monitoring and review program into the Corporate Credit Card Program. Stakeholder engagement with banks, card providers, card users and other organisations should be considered to ensure leading practice administration and management of cards is being utilised.	Technology
Include Local Business Support into Procurement Policy and associated procedure. Procurement should be responsible for or included in its development.	Sustainability
Include social procurement (local, social inclusion, employment and training) activities into the Procurement Policy and associated procedure. Procedure should be responsible for or included in its development.	Sustainability

REFERENCES

1. Strategic Procurement Review - a review undertaken by the Director of Corporate Services, Sharon Morrison and approved by Council on March 2018.

2. MAV LEAP Program Review 2018 – Council joined the LEAP Program run by ArcBlue in 2018 and an initial assessment of Council's procurement capabilities was undertaken.

3. Draft ArcBlue Procurement Strategy and High Level Implementation Roadmap – Tony Kerr, ArcBlue.