

## NSW Local Government - Procurement Roadmap Program - Stage 2

### Program Details

November 18, 2011

### Background

Procurement has been increasingly acknowledged in both the public and private sectors as a vital strategic tool to reduce costs and improve performance outcomes.

Estimates suggest that NSW Councils spend more than \$7 billion through procurement each year on the goods and services needed to support council operations. For most councils, procurement accounts for more than half of their overall annual expenditure and business activity. Research undertaken in Victoria by Ernst and Young in 2008, highlighted that significant savings of up to 15 – 20% are available through improved procurement practice and increased collaboration. The importance of good council-wide procurement practice has been further underlined recently in NSW with ICAC highlighting Government procurement performance and probity as a priority area of focus.

Despite the scale of the activity and the opportunities available however, the profile and understanding of procurement within councils is still low-medium in many instances, where it is considered as primarily an administrative and compliance function. There are significant opportunities available to raise the profile, capability and performance of council procurement in NSW (as in other states).

### Local Government Programs

To address similar issues and opportunities in Victoria, the State Department of Planning and Community Development (DPCD) has recently completed the Procurement Excellence Program (PEP) focussing on embedding improved procurement practice across Victorian local government. PMMS Consulting Group was engaged by DPCD to assist councils in undertaking a review of their procurement operations.

Driven by the Procurement Capability Assessment (PCA) process developed and implemented by PMMS across three hundred public and private sector organisations, the PEP reviewed council procurement practice and facilitated the development of a Procurement Roadmap for 77 Victorian councils.

In early November 2011, a Procurement Roadmap Pilot Program tailored specifically for NSW Local Government was completed, jointly funded by LGP and the participating councils, Greater Taree City Council, Port Macquarie Hastings Council and Bellingen Shire Council. The success of this initial Pilot has led to the establishment of a further expanded program supported by LGP.

## Program Structure

The development of Procurement Roadmaps for each participating council will be informed by a comprehensive data capture and analysis process to identify strengths, synergies and gaps. The process brings together between 12 and 20 council staff, from across council operations, to develop a Roadmap that reflects the organisational needs as a whole. Once created, the Roadmap is presented to each council's Senior Management Team for approval and set into motion. Actions from this plan are subsequently prioritised and embedded in existing work plans. See (Figure 3 below) for a map of process steps.

The organisational analysis is based on the following information provided by each council:

- A **Capability Assessment** - 40 questions across 8 procurement dimensions (Figure 1 below) assessing overall organisational procurement capability against Emergent, Basic, Intermediate, and Advanced (see Figure 2).
- A **Stakeholder Questionnaire** – 10 questions to be completed by key organisational procurement stakeholders to provide a whole-of-organisation perspective on procurement capability and performance.
- An **Information Capture Questionnaire** – 90 specific procurement questions to identify key gaps and opportunities in procurement process and management
- **Targeted Financial and Spend Data** – A spread sheet requesting a range of simple financial data, including overall spend and transaction numbers, to identify key administrative and external supply savings and improvement opportunities.

Roadmaps are owned by their respective councils and are unique, reflecting the individual nature of councils' objectives, business strategy and priorities. The Roadmap is designed to support Council development from wherever each organisation sits based on the Local Government Procurement Maturity Model (Figure 2 below). For some councils the focus will be on further supporting activity already underway on implementing strategic procurement initiatives, while for others, the focus will be on bedding down the policy and operational foundations needed to get them on the road to improved practice.

To ensure that cross-sector priorities and opportunities are harnessed, the process will culminate in a final workshop for participants to come together with their counterparts to share key actions from their Roadmaps.

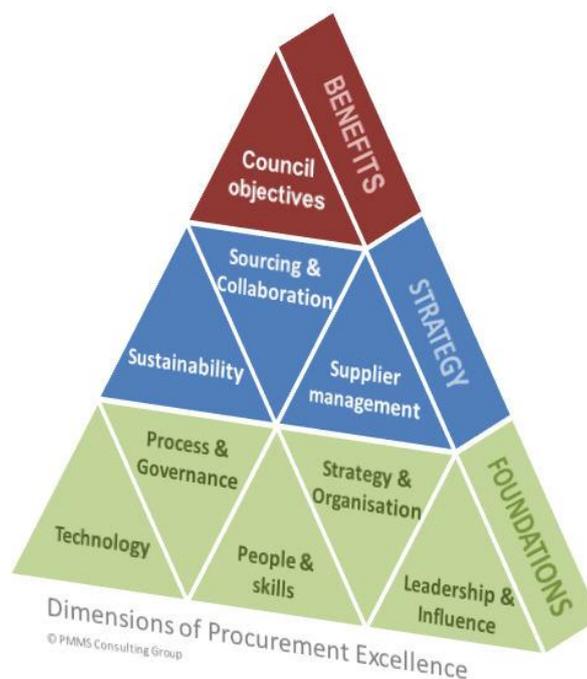
## Stakeholder involvement (See Figure 3):

- Council Project Teams – A group of four to six people involved in all stages of the project. May include: Procurement Co-ordinator/Manager, procurement staff/, Finance Manager, Director Corporate Services, Engineering Contract Manager
- Key Council Stakeholders – Key procurement stakeholders involved in completing stakeholder questionnaires, participating in the full morning workshop and reviewing the Roadmap. May include: Managers/ Directors/ Co-ordinators Engineering, Major Projects, IT, Recreation, Finance, Operations etc.
- Senior Management Team – General Manager and Directors

## Outcomes

Based on the experience across 80 Victorian and NSW Councils and with more than 300 organisations world-wide, key anticipated outcomes of the Pilot Program will be:

- A broad documented snapshot of current organisational procurement capability, spend data, and documentation and processes, benchmarked against good practice;
- A shared understanding of the nature of council's current procurement expenditure and key issues and opportunities in areas including:
  - Probity and compliance to the Local Government Act;
  - Administrative cost savings, use of technology and internal processes;
  - Priority external cost savings and performance improvement opportunities across key expenditure categories;
  - Strategies to achieve a balanced range of organisational objectives through procurement including: local economic development, social outcomes including pathways to employment, and environmental objectives
- A clear and documented Procurement Improvement Roadmap, setting out agreed actions to improve organisational capability and performance over three time periods: 0-6 months, 6 – 12 months, and 12 – 24 months.
- Identified regional opportunities and agreed shared priorities to strengthen regional procurement performance



**Figure 1 – Dimensions of Procurement Excellence**

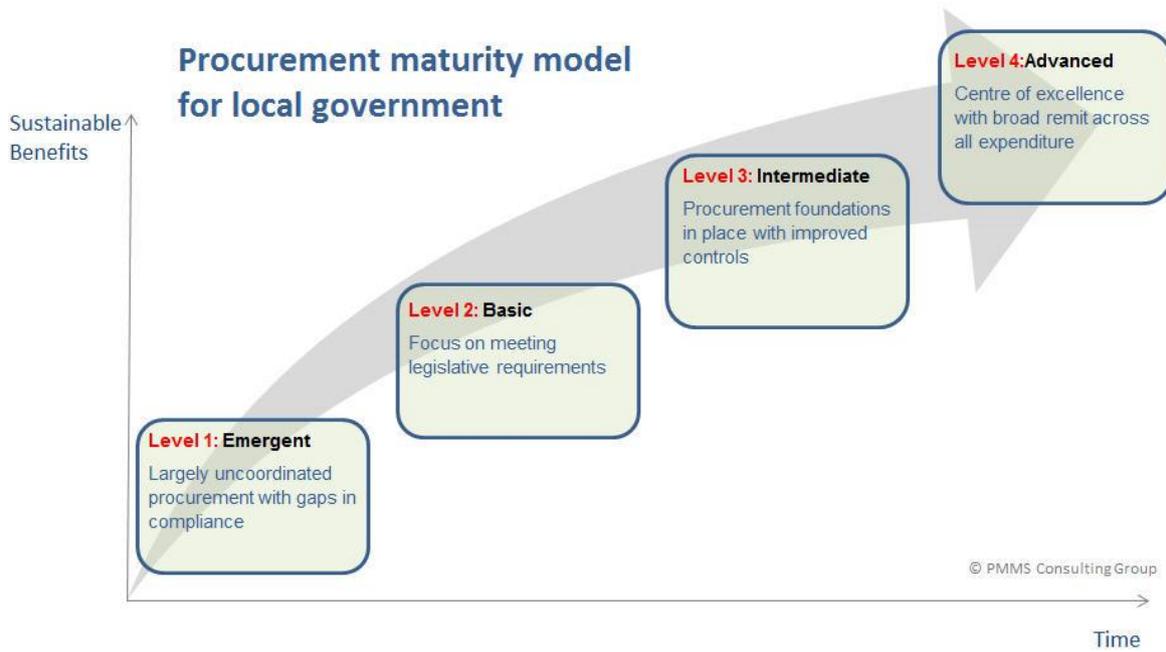


Figure 2 – Procurement Maturity Model

## NSW Local Government Procurement Roadmapping Process



Figure 3 – Procurement Roadmap Process