

# Annual Procurement Plan

2015/16

## Introduction

Whitsunday Regional Council has revised the Procurement Policy and a detailed Procurement Guide to reflect current legislative responsibilities. It is Council's view that improvements in procurement will continue to contribute towards Council's restoration of financial sustainability, as well as increasing Council's capacity to deliver services through better value purchasing.

As a key buyer in the Region, Council seeks to encourage a fair, efficient, equitable and competitive local market place. Through encouraging local businesses to adopt technological advancements such as e-procurement, Council seeks to develop local businesses to grow market reach and to be capable to supply to large organisations that require such technological capability from their suppliers.

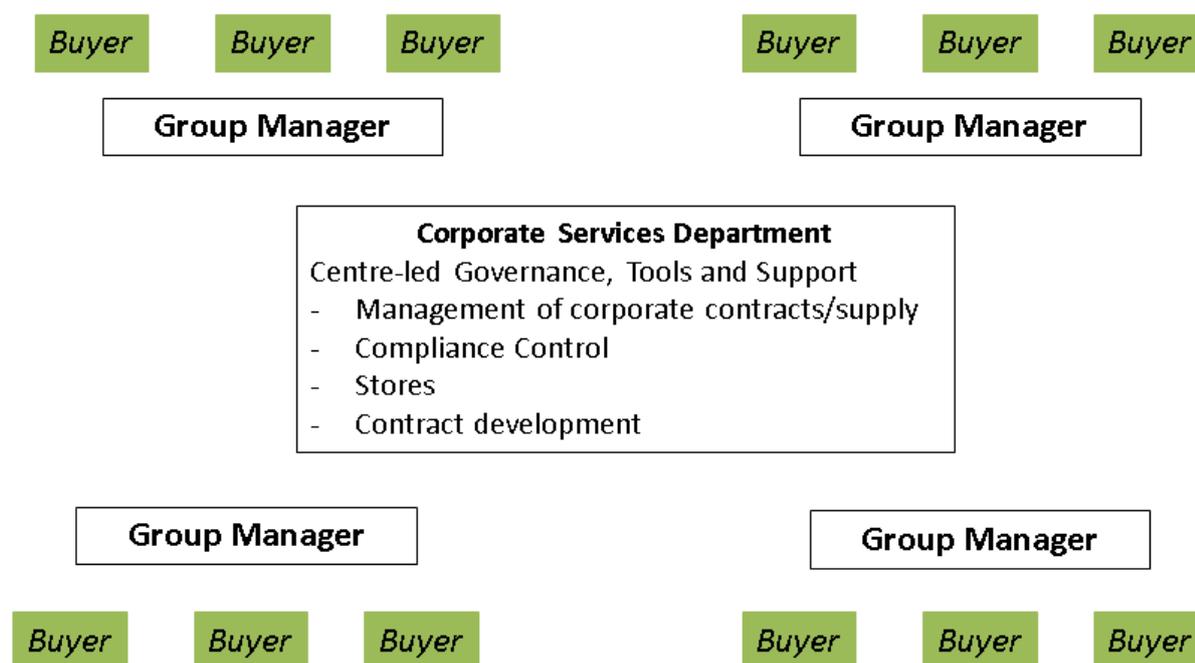
Council publishes an Annual Procurement Plan (APP) to prepare and plan for significant purchases, to seek Council approval of the planned strategies to approach the market and to alert businesses to planned procurements. The APP informs a more detailed internal procurement work plan for the financial year.

Procurement within Council is "centre led" within the Corporate Services Department, with devolved responsibilities within the organisation for day-to-day "buying" of supplies and services. Figure 1 below outlines the functional responsibilities within Council.

Council's Corporate Services provides governance for procurement activities – establishing the management framework, controlling specialised functions, establishing supply arrangements, training and providing advice and support to buyers. The arrangements established by Corporate Services should establish tight guidance for the "buyers" across the organisation, using efficient sourcing and buying processes and ensuring supply arrangements are adhered to consistency across the organisation.

The decentralised "buying" activities are conducted under the control of Group Managers. Group Managers are responsible for the allocation and performance management of buying responsibilities within their delegated budget and functional areas, in accordance with Council's Procurement Policy and Purchasing Guide.

**Figure 1 – Council's Procurement Functional Map**



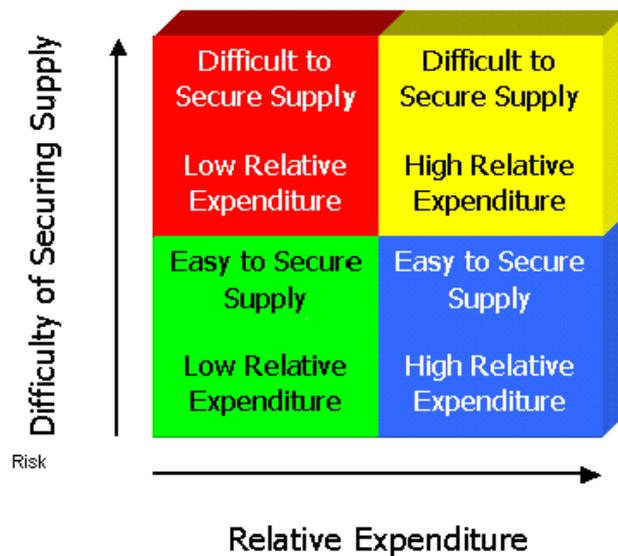
## Procurement Strategy

Category management and spend analysis assists Council to forecast the goods and services to be procured and works to be delivered, their relative value and the relative risk or difficult of ensuring supply. By profiling the spending, Council can identify opportunities and strategies to position demand in the most advantageous market position. Best practice mapping is aided by information systems to identify spend categories on a supply/expenditure matrix (see Figure 2). By plotting supply categories on the matrix Council is able to consider which market Council purchases from and what the risk exposure is. Procurement strategies can be developed to either manage the accepted risk, or to implement actions to change supply arrangements to buy in a more advantageous market position.

Council will conduct spend analysis on a quarterly basis to develop strategic procurement initiatives for procurement planning. Such improvements will enable Council to identify underperforming supply arrangements, rouge purchasing (purchasing outside of set arrangements), contract performance (eg compliance with set unit price) and trends in purchasing.

The following description of Council's spend profile is based on historical spend analysis and the planned expenditure in the 2015/16 Budget.

**Figure 2 – Supply Positioning Matrix**



### Supplies in Quadrant 1 – low risk, low value (Green)

**Description** – Purchases which constitute very small percentage of overall expenditure and which can be sourced from a wide range of suppliers.

Examples of some common purchases = in this quadrant – subscriptions, office consumables, maintenance, hardware, computer peripherals, food and catering, training courses and travel related costs.

**Primary objective** – due to the existence of high competition, low unit cost and high number of transactions, achieving discounts is unlikely. Rather, Council aim for such supply and services is to reduce the administrative burden in processing transactions by using aggregated and consolidated accounts (Corporate accounts), term accounts (eg monthly accounts) and the use of efficient ordering processes (eg e-procurement) wherever possible.

#### **Council strategies for 2015/16**

- To continue to promote the responsible usage of purchase cards for purchases with a low monetary value (i.e. up to \$1,000).
- Corporate Services to monitor the audit and controls compliance to address the likelihood of risk of misuse with more corporate cards being provided.
- Corporate Services to engage with suppliers to negotiate supply arrangements that result in fewer invoices, covering a greater number of transactions over a longer period. For example, monthly invoices rather than single transaction, daily or weekly invoices.

### Supplies in Quadrant 2 – low risk, high value (Blue)

**Description** – Purchases which constitute high value (higher unit price) but which are relatively easy to source. Strategically, this is the best market position for Council to achieve savings from. A higher number of transactions, availability of alternative suppliers and relatively higher spending, affords the organisation opportunity for savings.

Examples of Council supply needs in this quadrant – service contractors, legal costs, security, printing and photocopying, staff clothing, , fittings and fixtures, tyres and computer hardware.

**Primary objective** – Achieve reductions in the total cost through open invitations to market, creating competition, and securing volume discounts from suppliers via coordinated administrative and purchasing activities. Aggregation and consolidation (corporate accounts) are important initiatives to ensure discounted unit prices are applied across the organisation.

### **Council strategies for 2015/16**

- Aggregate, consolidate and standardise specifications to enhance the overall combined purchasing power and reduce contract management expenditure.
- Achieve synergies when acquiring the same goods or services and to secure more favourable financial terms (eg through bulk purchases).
- Request for Tender/Quote to establish discounts through well negotiated, longer term supply contract arrangements.
- Establish an online vendor panel to encourage competition for requests for quotations.
- Contract management and administration is rigorous to ensure performance of the contract, value for money and that cost variations do not occur where avoidable, and that contractors are performance managed.
- Demand management to reduce the overall demand and the specifications to ensure fit for purpose requirements are specified.
- Investigate shared supply arrangements with other government organisations to assist in reducing lead times and handling.
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### **Supplies in Quadrant 3 – high risk, low value (Red)**

**Description** – Purchases which constitute low value but due to specialised nature and limited number of potential suppliers can be difficult to secure.

There are not many existing examples of Council supply needs in this quadrant however some may be low value service contractors and supplies and consumables for plant and equipment.

This is not an attractive market position for either suppliers and or buyers ie low profit margins and high supply risk.

**Primary objective** – Maintain good relationships with current suppliers, whilst seeking alternative options for supplies and encourage other suppliers to strategically move the supply lines away from high risk supply category.

**Council strategies for 2015/16**

- Monitor the performance of service providers, assess the security of their supply, to ensure that continuity of supply is achieved.
- Identify alternative suppliers and test their goods and services.
- Develop a good working relationship with suppliers so that continuity of service supply can be maintained.
- Aggregate demand to approach market with high value to attract more suppliers.
- Utilise Local Buy contracts to access high volume supply prices.

**Supplies in Quadrant 4 – high risk, high value (yellow)**

**Description** – Purchases which constitute high level of expenditure but which may be more difficult to source.

Examples of Council supply needs in this quadrant – high value service contractors, consultants, specialised supplies and consumables for plant and equipment.

**Primary objective** – Wherever possible, Council should avoid this supply market. Consideration of whole-of-life asset costing when planning infrastructure may help avoid supplies in this market. Consider all options to position demand into quadrant 2 by encouraging competition (ef aggregating, consolidating and standardising specifications). Where it is not possible to reposition in the market, it is important for Council to build long term relationships with suppliers as supply failure could have major negative consequences for overall service delivery.

**Council strategies for 2015/16**

- Suppliers need to have a thorough understanding of Council’s requirements with forecast demand to secure supply.
- Supplier selection criteria should be robust and appropriate, including procurement staff with necessary expertise in procurement and contract management.
- Consider Local Buy contracts
- Liaise closely with neighbouring Councils to keep informed on new alternative service providers entering the market.
- Develop staff skills on procurement by introducing training for staff engaged in approving purchase orders, increase awareness and cost consciousness among managers and budget holders and ensure adherence to and compliance with Council’s procurement procedures.

- Promote Council's procurement plans to encourage other suppliers into the market
- Deliver pre-tender briefings to inform the market to assist in meeting the markets capacity expectations and facilitate supplier consortiums in responding to approaches to market.

## Development Procurement Capability

The following initiatives have been prioritised to be developed in the 2015/16 financial year:

- Develop expert contract management capability within Corporate Services to administer contracts and to support complex procurement eg tendering, contract development
- Conduct specific training for employees with responsibilities for administering construction projects.
- Implement a suite of risk modified construction contract templates which mitigate Councils exposure.
- Continue to roll out e-Procurement functions, such as Vendor Panel, LGTenderBox and online corporate card reconciliations.
- Consolidate and aggregate supply needs to improve Council's market buying position.
- Develop an internet site that is informative for suppliers and other stakeholders.
- Develop effective relationships with suppliers and business representative groups, including promotion and education of Council's procurement practices and supply needs.
- Development of corporate tools, templates and other resources to improve the efficiency of Council's procurement functions
- Training for buyers and other staff within Council
- Improve the performance of Council's procurement information systems, including enabling the separation of financial and procurement delegations .

## Significant Procurement Activities for 2015/16

Category	Description	Procurement Mechanism	Direct or Panel
Construction	Civil - General	Request for Tender	Direct
Construction	Water main replacement	Request for Quotation/Tender	Direct
Consultancy	Various - Engineering, Business Management, Planning, ICT and HR	Local Buy	Panel
Goods	Supply of Fleet and Plant	Local Buy and direct source	Combination
Goods	Supply of small plant	Request for Tender	Direct
Goods	Plumbing fittings	Request for Tender	Panel
Goods	Bulk Fuel	Local Buy	Direct
Goods	Fuel Card	Local Buy	Direct
Goods	ICT hardware and software	Qld Government and Local Buy	Panel
Goods	Precast concrete components	Local Buy	Panel
Goods	Tyres	Local Buy	Panel
Hire	Wet plant hire	Request for Tender	Panel
Hire	Dry hire of plant	Request for Tender	Panel
Services	Waste Management - Operational Management of Kelsey Creek and Bowen Landfills	Request for Tender (Separable portions)	Combination
Services	Security Services - Southern Areas	Request for Tender	Direct
Services	Provision of Banking Services	Request for Tender	Direct
Services	Provision of Cleaning Services - Whole of Council	Request for Tender (Separable portions)	Combination
Services	Provision of Debt Management Services	Request for Quotation	Direct
Services	After hours call centre	Request for Quotation	Direct
Services	Bitumen reseals/Asphalt overlays	Local Buy	Panel
Services	Airlie Beach Lagoon - Pool plant maintenance	Request for Tender	Direct
Services	Quarry blasting services	Request for Tender	Direct
Services	Green Waste Mulching	Request for Tender	Combination
Services	Training	Request for Tender	Panel
Services	Corporate Travel Services	Request for Tender	Direct