

## PROCUREMENT AUSTRALIA'S WA PRESCRIPTION

### Background Information

#### Introduction

Procurement Australia is a tax-exempt public company providing bulk purchasing, tendering, and procurement services to its members nationally and councils in Victoria, New South Wales, South Australia, and Tasmania.

Procurement Australia works for the benefit of its 700 members – councils, water corporations and other statutory authorities, cemetery trusts, state and federal government agencies, universities, TAFEs, libraries and not-for-profits.

Procurement Australia's mission is to act as the member advocate/agent to fulfil their needs by creating mutual benefit for members and suppliers, through value added and innovative procurement services.

Procurement services to councils are legislatively recognised and provided for in both Victorian and New South Wales local government regulations.

Western Australian legislation prohibits Procurement Australia from assisting WA councils in the way it assists councils in other states.

Procurement Australia is seeking to amend the Local Government Regulations to enable it to provide procurement services to WA councils.

#### Establishment

30 years ago, the City of Melbourne recognised the power of aggregation and economies of scale drive value and savings for its neighbouring councils.

In 1992, with the approval of then Victorian Minister for Local Government, the City of Melbourne and its inner-city municipal neighbours established a tax-exempt public company limited by shares.

Over 30 years, its products, and services have evolved and Procurement Australia today trades on behalf of councils in Victoria, New South Wales, South Australia, and Tasmania.

Procurement Australia has an application, to extend procurement services to Queensland councils, before the Queensland Minister for Local Government.

### **Procurement services**

Procurement Australia is one of the nation's largest buying groups helping its 700 members to purchase commonly used goods and services.

By aggregating the buying power of its members, Procurement Australia can attain the best value and create collaborative purchasing arrangements. Procurement Australia is a leader in negotiating and facilitating procurement contracts working in partnership with buyers and suppliers to seek innovative purchasing solutions.

Procurement Australia is the leading partner of strategic sourcing and procurement solutions adding measurable business value to its members. Procurement Australia processes have evolved over 30 years to meet the needs of its members. Procurement Australia provides an outsourcing opportunity to its members where governance and probity are constant considerations throughout tendering, contracting, and supplier relations.

### **Quality assurance**

Procurement Australia operates a quality management system that complies with the requirements of ISO 9001 for processes performed including but not limited to tender preparation and advertising, tender evaluation, contract award and contract performance

monitoring. This quality management system is audited annually by an independent third party and has been in continuous operation since December 1998.

### **Independent external audit**

Procurement Australia is audited by Victorian Auditor General's Office annually to ensure that it is independent and transparent in creating value through procurement services to its 700 members.

### **WA Legislative framework**

The Local Government (Functions and General) Regulations 1996, Part 4, Division 2, Section 11 relates to tenders for goods or services.

The Regulations provide for tenders to be publicly invited before a local government enters into a contract for the supply of goods or services if the consideration under the contract is expected to be more than \$100,000.

The Regulations provide a number of exceptions to this requirement including ... "if the supply of goods and services is obtained through the council purchasing service of WALGA". Procurement Australia is of the view that this exception should be expanded to enable it to provide procurement services to WA councils.

Procurement Australia:

- is legislatively prescribed to act on behalf of councils in Victoria and New South Wales;
- acts on behalf of councils in South Australia and Tasmania; and
- has an application for prescription pending in Queensland.

### **Offer to WA Councils**

Procurement Australia will offer its full complement of services to WA councils.

Procurement Australia staff will be made available in WA to undertake day-to-day client

services and contract management support. The more strategic and specialist support will be provided out of the Victorian office.

WA councils will have access to a range of national contracts. The economies of scale from a five state demand aggregation will achieve ongoing savings for WA councils. In addition, Procurement Australia will provide its procurement specialists and category specialists to work with councils one on one or in a cluster to achieve the best possible tailored results. The depth of Procurement Australia's talent available in WA will depend on responsiveness of WA councils to its offer and the extent of interest generated.

Procurement Australia's experience, expertise, and intellectual capital will achieve the best possible procurement results for WA councils.

### **History, Structure and Ownership**

Procurement Australia is **not** an outside commercial entity swooping in to take advantage of local government. Procurement Australia has a 30-year local government history that goes back to 1985 when it was started by the City of Melbourne in order to extend its purchasing power for the benefit of its smaller neighbouring councils. Procurement Australia is a company limited by shares and it has some 73 local government shareholders.

### **WA Participation**

Procurement Australia will develop and implement a range of strategies to encourage participation of WA Councils. Strategies that will:

- incentivise WA Councils to become early adopters of its services;
- encourage WA Councils onto its Share Register; and
- expand its Reference Groups to incorporate WA procurement experts.

## **Conclusion**

Procurement Australia is a procurement company first and foremost, established as a direct response to the needs of councils. Over the last 30 years Procurement Australia has evolved its service offering nationally to benefit councils.

Procurement Australia is seeking an amendment to WA local government regulations to enable it to offer procurement services to WA Councils along the same lines as WALGA.

## **Contact Information**

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**CASE STUDY:**      **Tender & Contract for Provision of Hire of Plant with Operator**  
Aggregated volume rural & regional tender.

This requirement is for the short-term hire of a variety of earth moving plant and heavy vehicles with an accredited operator to sites required by Council.

**CLIENT NAME:**      Lake Macquarie City Council (Central Coast of New South Wales)  
Byron Shire Council (North Coast of New South Wales), and  
Greater Taree City Council (Mid North Coast of New South Wales)

**Overview of Engagement and Activity:**

Procurement Australia was engaged by these Councils collectively to:

- Provide a go to market and contracting governance framework consistent with public sector probity requirements and the Local Government Act.
- Work with their respective operational staff to develop a detailed specification per council to be used for public tendering purposes.
- Draft the technical specification and request for tender document.
- Coordinate and manage all operational aspects of the tender event.
- Engage the industry and conduct appropriate briefings.
- Evaluate the tenders received against the defined evaluation criteria and weightings.
- Convene and lead post-tender contractor negotiations and contract document execution.
- Complete ongoing head contract management. Councils manage routine operational aspects.

**Rationale for Procurement Australia's Engagement by the Participating Councils:**

- Lake Macquarie had previously attempted to conduct their own tender for this requirement however abandoned it due to the complexity of the category and stringent operator compliance requirements and management of same.
- Byron Shire and Greater Taree Councils wanted a tender run to become compliant with legislative requirements as it relates to Work Health & Safety in New South Wales and to create a panel of approved contractors from a public tendered event.
- Procurement Australia's reputation in the Local Government sector for provision of effective and professional tendering and contracting services.

**Benefits to the Participating Councils:**

The following benefits were achieved and delivered to Councils and their constituents:

1. The establishment of a panel of approved contractors via a public tender and resultant contract conducted managed in accordance with the Local Government Act and to ISO 9001-2008 standards.

2. Establishment of an outsourced provider to manage their contractor's insurance and operator accreditation, certificates and tickets thus removing this administrative burden from councils directly. More importantly this provided councils a system that they could interrogate at any time to determine the insurance and operator accreditation validity prior to awarding work on a daily basis

**What Has This Lead To For Procurement Australia:**

- Trust in our processes.
- The ability to demonstrate our credentials to deliver strong outcomes in complex categories.
- An ability to demonstrate our tendering and contracting credentials to members in rural and regional areas.

**CASE STUDY:**      **Tender & Contract for Provision of Electricity**  
 (Large & Small Market Sites, Public Lighting, Green Energy and  
 Feed in Tariffs)  
 Aggregated volume cluster contract in the order of \$50M.

**CLIENT NAME:**      Southern Sydney Regional Organisation of Councils (SSROC)  
 17 participating Procurement Australia members located in  
 metropolitan Sydney

### **Overview of Engagement and Activity:**

Procurement Australia was engaged by SSROC to:

- Provide a go to market and contracting governance framework consistent with public sector probity requirements and the Local Government Act.
- Coordinate and manage the mechanics of the tender.
- Work in conjunction with SSRROC's specialist energy consulting firm.
- Deliver a commercially attractive outcome consistent with member requirements.
- Execute a head contract with the winning tenderer.
- Participate in the member briefing day in Sydney post contract award.

### **Rationale for Procurement Australia's Engagement by SSROC:**

- This tender and contract was the second time SSROC had selected Procurement Australia to run their process for provision of electricity. The first engagement was in 2013.
- SSROC and its member councils understand that aggregating electricity volumes and using Procurement Australia will result in improved commercial outcomes.
- Time and money savings for Councils by eliminating the requirement to complete this administrative burden.

### **Benefits to the Participating Councils:**

The following benefits were achieved and delivered to Councils and their constituents:

1. A public tender and resultant contract conducted & managed in accordance with the Local Government Act and to ISO 9001-2008 standards.
2. For the tender run in 2013 **direct financial savings in the order of \$2M (up to 9% depending on electricity category) was delivered.** This contract was for 2 year duration.
3. For the tender run in 2014 **a further direct financial saving in the order of \$1.5M (a further 3% - 9% depending on electricity category) was delivered.** This contract is for a 3 year period.
4. Collectively these two tenders have delivered financial savings of **not less than \$3.5M over five years.**
5. Best available electricity rates for the aggregated electricity load in New South Wales



### **What Has This Lead To For Procurement Australia:**

- Repeat business from SSROC and its members as a result of the results produced.
- Evidence of our ability to work across large cluster of councils in Sydney.
- The addition of another attractive category in our contract offering suite.
- SSROC members utilising other Procurement Australia contracts.

**CASE STUDY: Tender & Contract for Provision of Stationery, Cut Sheet Paper, IT Consumables & Peripherals and Office Machines**

Aggregated volume multi-state standing offer tender and contract.

Contract offer available to all other Procurement Australia members as a standing offer member opt in arrangement across all geographic areas of Victoria, New South Wales, South Australia and Tasmania

**CLIENT NAME:** 59 participating Procurement Australia members located in Victoria, New South Wales and South Australia

**Overview of Engagement and Activity:**

Procurement Australia was engaged by these two Councils collectively to:

- Provide a go to market and contracting governance framework consistent with public sector probity requirements and the Local Government Act.
- Draft the technical specification and request for tender document.
- Coordinate and manage all operational aspects of the tender event.
- Engage the industry and conduct appropriate briefings.
- In conjunction with Council reference group representatives evaluate the tenders received against the defined evaluation criteria and weightings.
- Convene and lead post tender contractor negotiations and contract document execution.
- Deliver a commercially attractive and service orientated outcome consistent with member requirements.
- Manage the contract on an ongoing basis

**Rationale for Procurement Australia's Engagement by the Participating Councils:**

- The participating Councils understand that aggregating their volumes and using Procurement Australia will result in improved commercial outcomes and better defined and thus managed service deliverables.
- Procurement Australia's tender and contract can be adopted by its members thus eliminating the need for individual Councils to conduct their own tenders and manage their own contracts.
- Time and money savings for Councils by eliminating the requirement to complete this administrative burden.

**Benefits to the Participating Councils:**

The following benefits were achieved and delivered to Councils and their constituents:

1. A public tender and resultant contract conducted & managed in accordance with the Local Government Act and to ISO 9001-2008 standards.
2. Establishment of a one stop shop arrangement.
3. Direct financial **savings of 24%** against the then current buy rates on a like for like basis.

4. A **further 2%** saving payable by the supplier back to each participating Council via reduction between order value to invoice value (e.g. if order value is \$100, then invoice value is \$98)
5. A **further sliding scale rebate** payable by the supplier to each participating Council quarterly if certain average order values are achieved.
6. Monthly consolidated billing.
7. “Green” product line availability at member discretion.
8. Industry standard next day delivery and internet ordering platform.

**What Has This Lead To For Procurement Australia:**

- Increased aggregation and throughput in this category for our member’s benefit.
- Evidence of our ability to work across rural, regional and metropolitan areas in four states simultaneously.
- The addition of another attractive category in our contract offering suite.

**CASE STUDY:**      **Tender & Contract for Provision of Waste Management Services**  
Aggregated volume rural cluster tender.

**CLIENT NAME:**      Northern Grampians Shire Council (Victoria), and  
Ararat Rural City Council (Victoria)

**Overview of Engagement and Activity:**

Procurement Australia was engaged by these two Councils collectively to:

- Provide a go to market and contracting governance framework consistent with public sector probity requirements and the Local Government Act.
- Work with their respective environmental and operational staff to develop a detailed specification to be used for public tendering purposes.
- Draft the technical specification and request for tender document.
- Coordinate and manage all operational aspects of the tender event.
- Engage the industry and conduct appropriate briefings.
- In conjunction with Council representatives evaluate the tenders received against the defined evaluation criteria and weightings.
- Convene and lead post tender contractor negotiations and contract document execution.
- Complete ongoing head contract management. Councils manage routine operational aspects.

The tender and resultant contract was for provision of the following:

**Service 1 – Kerbside, Public Litter Bins & Transfer Station Waste Collection**

- Collection of kerbside waste bins
- Collection of public litter bins
- Collection of transfer station waste

**Service 2 – Kerbside, Public Recycling Bins & Transfer Station Recycling Collection**

- Collection of kerbside recycling bins
- Collection of public recycling bins
- Supply of receptacles for commingled recyclables at transfer stations (Northern Grampians only)
- Collection of transfer station commingled recyclables

**Rationale for Procurement Australia’s Engagement by the Participating Councils:**

- Procurement Australia’s reputation in the Local Government sector for provision of effective and professional tendering and contracting services.
- Council wanted an independent body to manage the process, however still encompassing and including the local operational staff.
- The participating Councils understand that aggregating their volumes and using Procurement Australia will result in improved commercial outcomes and better defined and thus managed service deliverables.

**Benefits to the Participating Councils:**

The following benefits were achieved and delivered to Councils and their constituents:

1. A public tender and resultant contract conducted & managed in accordance with the Local Government Act and to ISO 9001-2008 standards.
2. Direct financial savings in the order of \$1 million collectively with improved service delivery and no change in supplier for at least one council.
3. The establishment of a contract document with defined service standards and deliverables to enable Council staff to manage their business more effectively.

**What Has This Lead To For Procurement Australia:**

- Trust in our processes.
- An ability to demonstrate our cluster tendering and contracting credentials to other members.
- Evidence of our ability to work in rural and regional areas.