



CITY OF HOBART PROCUREMENT STRATEGY

2018–22



City of HOBART



TABLE OF CONTENTS

INTRODUCTION	5
PURPOSE	6
OUTCOMES	7
OUR CHALLENGES AND IMPROVEMENT OPPORTUNITIES	8
PROCUREMENT VISION	9
Vision	9
Mission	9
Procurement Strategy Link to Corporate Strategies	10
Corporate Strategies	10
Planning and Reporting Framework	11
PROCUREMENT GOALS AND OBJECTIVES	12
Goals	12
Strategic Objectives	13
Goal 1 – People and Governance	13
Goal 2 – Strategic Sourcing and Category Management	14
Goal 3 – Contract Management and Strategic Partnerships	15
Goal 4 - Sustainable Procurement	16
Goal 5 – Technological Innovation	17
Goal 6 – Process Development	18
Goal 7 – Procure to Pay	19
Goal 8 - Inventory and Stock Management	20
Measuring Procurement Performance	21
Delivering the Strategy	21
Reporting on the Strategy	21
Strategy Update	21



INTRODUCTION

The City of Hobart spends in the region of \$80 million annually on goods, services and works with third parties. The City does so to support the delivery of over 300 programs and services to the community as well as deliver the City's 10-year capital works program of new and renewed assets.

In local government, procurement is governed by a legislative framework which includes the *Local Government Act 1993 (TAS)* and the *Local Government (General) Regulations 2015 (TAS)*. The Council has approved a Code for Tenders and Contracts, which is available from its website and has adopted various procurement policies, processes and procedures.

A strategic approach to procurement can achieve significant benefits for Council and the community and must be seen in the context of Council's overall objectives. Whilst Council's procurement activity has been and will remain focused on obtaining goods, services and works that demonstrate best value for money and managing risk, it is also important that procurement decisions are taken in light of the broader objectives that Council is seeking to achieve, as outlined in the City of Hobart Capital City Strategic Plan 2015–25.

Procurement in local government is a core and strategic function. The current economic climate brings challenges to both the public and private sectors. This means as a Council we need to use our spending power wisely and strategically to ensure that we support the economic, social and environmental needs of our community.

Procurement has a key role to play in ensuring that the Council continues to deliver high quality services to our residents, supporting the local economy and providing opportunities for businesses to easily and intuitively engage with the Council.

The aim of the Procurement Strategy is to ensure the City's procurement activities are compliant with the law and undertaken with the City's policy framework, efficiently and economically whilst realising the economic, social and environmental benefits for the City, aligning with the strategic objectives of the City of Hobart Capital City Strategic Plan 2015–25.

The Procurement Strategy includes an action plan for the future, which will be monitored and reported against to the Executive Leadership Team.

Nick Heath
General Manager

PURPOSE

Procurement has a key role to play in ensuring that the Council continues to deliver high quality services to our residents, supporting the local economy and providing opportunities for businesses to easily and intuitively engage with the Council.

Through the adoption of its Procurement Strategy, the City aims to achieve a more consistent organisation-wide approach to procurement, by setting out a strategic framework designed to enable the Council to continue on its journey of change and innovation through:

- Focusing on delivering procurement and contract management improvements
- Building capacity and skills within the Council to improve the procurement outcomes for the community
- Improving systems through automation and embracing technology
- Streamlining and simplifying procurement processes
- Engaging proactively with suppliers to ensure maximum value, innovation and support of the local economy
- Promoting safe and fair working practices through procurement
- Delivering and demonstrating real cash savings
- Continuing to improve procurement methods including engagement with Procurement Australia and the National Procurement Network
- Continuing to comply with statutory procurement obligations
- Increasing the focus on sustainable procurement and targeting ethical and social responsibility
- Continually striving to deliver the best possible procurement service to the Council.

OUTCOMES

The outcomes we want to achieve over the next five years are:

- Increase value for money from all procurement activities
- To support the effective and efficient delivery of Council's priorities and service requirements.
- High quality, timely, professional and innovative procurement and contract management advice and support to the organisation
- Replace manual procurement processes and systems, automating where possible
- Sustainable, socially conscious and ethical principles embedded into procurement practice
- Development of robust contract management processes
- An engaged supplier network including local business capable of effectively bidding for Council work
- Council to be an attractive organisation with which to do business
- Streamline payment processes to make it easier and more cost effective for Council to buy and pay for things
- Knowledgeable and skilled Council officers procuring in line with best practice procurement practices
- Transparent and timely reporting on procurement performance to the Executive Leadership Team
- Effective category management to maximise value for money outcomes for the City
- Continue to comply with legislative requirements
- Decrease risk to the organisation.

OUR CHALLENGES AND IMPROVEMENT OPPORTUNITIES

AREAS OF FOCUS

- Centre-led procurement model
- Experienced staff
- Established processes and procedures
- Templates and tools
- Induction, education and training
- Established contracts
- E-tendering capability

CONTINUOUS IMPROVEMENT

- Complexity of managing contracts
- Use of systems
- Limited visibility of procurement spend
- Manual processes
- Uniformity across the business
- Number of suppliers to manage
- De-centralized inventory management
- Procurement planning
- Cost of processing payments

OPPORTUNITIES FOR IMPROVEMENT

- Increased value for money and cost savings
- Automation
- Complex contract management
- Improved supplier management
- Innovation
- Increased collaboration
- Sustainable procurement
- Visible procurement performance leading to continual improvement

CHALLENGES

- Resources to procure systems
- Limited supplier market in some areas
- Coding and budgeting
- Contract leakage

PROCUREMENT VISION

The Council has worked with the community to establish a 20 year vision for the city and a set of statements that describe what the city will be like if that vision is achieved.

The 2025 community vision is that in 2025 Hobart will be a city that:

- Offers opportunities for all ages and a city for life.
- Is recognised for its natural beauty and quality of environment.
- Is well-governed at regional and community levels.
- Achieves good quality development and urban management.
- Is highly accessible through efficient transport options.
- Builds strong and healthy communities through diversity, participation and empathy.
- Is dynamic, vibrant and culturally expressive.

The following procurement vision and mission has been established to support the Council's vision and to ensure the delivery of the 2025 community vision.

VISION

To work together to deliver procurement solutions that achieve quality services and works that represent value for money for Hobart communities and that achieve and support the City's strategic objectives.

MISSION

Procurement will be an efficient, customer focused, sustainable and collaborative business function that strives to continuously improve and deliver for the City.

PROCUREMENT STRATEGY LINK TO CORPORATE STRATEGIES

Procurement has an important role in the delivery of value for money services and in doing so we need to ensure that we align to the Council's priorities and values. Throughout all our activities, we must support the corporate strategies of the City of Hobart.

CORPORATE STRATEGIES

The Community 2025 Vision and themes have been brought together to form the following goals and strategic objectives for the City outlined in the City of Hobart Capital City Strategic Plan 2015–25:

Goal 1 – Economic Development, Vibrancy and Culture

City growth, vibrancy and cultures comes when everyone participates in city life.

Goal 2 – Urban Management

City planning promotes our city's uniqueness, is people-focussed and provides connectedness and accessibility.

Goal 3 – Environment and Natural Resources

An ecologically sustainable city maintains its unique character and values our natural resources.

Goal 4 – Strong, Safe and Healthy Communities

Our communities are resilient, safe and enjoy healthy lifestyles.

Goal 5 – Governance

Leadership provides for informed decision-making for our capital city.

Procurement relates to goal 5 – Governance, in the City of Hobart Capital City Strategic Plan 2015–25. Strategic objective 5.1.9 – deliver best value for money through strategic procurement decision-making.

Council will look for the best possible value (including but not confined to price) for the whole lifecycle of the goods, works or services. However, this does not necessitate the selection of the lowest price. In addition, the Council procurement processes will encourage and maintain a competitive, sustainable and diverse market place.

Procurement supports the operations of Council by making sure the requirements for goods, services and works are procured in the most effective and efficient way to maximise and deliver best value.

PLANNING AND REPORTING FRAMEWORK

The City of Hobart’s planning and reporting framework is intended to ensure the best possible results by considering issues and pressures that may affect the community and the level of resources available to achieve the priorities and aspirations.

The City of Hobart Procurement Strategy is a resourcing strategy to support the delivery of the City’s strategic objectives.



PROCUREMENT GOALS AND OBJECTIVES

GOALS

The procurement vision and mission have given rise to the following procurement goals for the City:

- Goal 1** People and Governance
- Goal 2** Strategic Sourcing and Category Management
- Goal 3** Contract Management and Strategic Partnerships
- Goal 4** Sustainable Procurement
- Goal 5** Technological Innovation
- Goal 6** Process Development
- Goal 7** Procure to Pay
- Goal 8** Inventory and Stock Management

These eight goals provide the structure and framework from which work and priorities will be planned and implemented over the next five years. Each of the eight goals are interrelated and is as important as the others in ensuring delivery of the procurement vision and mission.

STRATEGIC OBJECTIVES

Goal 1 – People and Governance

- A procurement team with full-time procurement professionals who have appropriate skills and training to perform their roles.
- Supported and trained employees enabled to procure at Council consistently, efficiently and in accordance with Council policy and legislative requirements.
- A procurement team that communicates effectively and is customer focussed.
- Procurement activities are appropriately planned and procurement planning is an integral part of the procurement process.
- Procurement performance is reported to and reviewed by ELT on a quarterly basis.
- All procurement activities are conducted in accordance with legislative obligations, the City of Hobart Code for Tenders and Contracts and Purchasing Policy and Guidelines.

Actions

1.1	Develop and implement a training plan for all procurement team members, to include mentoring.
1.2	Deliver monthly procurement inductions for new employees and those seeking a refresher.
1.3	Develop and deliver a high quality training program for employees, as follows: <ul style="list-style-type: none"> • Procurement rules – monthly for new employees or those requiring refresher • RFQ Simple training – quarterly • RFQ Complex training – quarterly • Contract management – six-monthly • Writing specifications, scopes of work – six-monthly
1.4	Update the Procurement Portal and Contracts Register to reflect each new, varied or extended Council Contract.
1.5	Trial a program of Procurement Officers being physically located in areas across the business to more responsively meet the needs of employees.
1.6	Issue procurement newsletters to all staff when required and use CBC News to promote new Council contracts when signed.
1.7	Report to ELT on the delivery of the procurement strategy and procurement performance on a quarterly basis.
1.8	Include in Council’s internal audit program, audits on procurements undertaken to identify improvement opportunities in relation to policy and legislative compliance.

Goal 2 – Strategic Sourcing and Category Management

- The City leverages its consolidated purchasing power to achieve the best possible value in the marketplace.
- The City uses contracts established by the State Government, National Procurement Network, Procurement Australia or another council, instead of undertaking its own tender process, where cost effective and beneficial to do so.
- Panel arrangements are clearly understood, are established where appropriate and used at Council.
- Tools and techniques including eTendering, eCatalogues and supplier networks are maximised where appropriate but not so that they discourage local business from being able to supply to Council.
- The City has a category management approach that results in lower purchase costs, improved service from suppliers and lower internal costs.

Actions

2.1	Review panel arrangements and increase awareness of their use.
2.2	Proactively consider the sourcing strategy for individual procurements coming up for renewal to ensure best value for money outcomes for Council.
2.3	Investigate the use of online supplier catalogues to improve Council's sourcing activities.
2.4	Create common use agreements and/or contracts for Council spend over the tendering threshold or for high risk works.
2.5	Review Procurement Australia, National Procurement Network and other networks to ensure Council's approach to category management reflects best practice.
2.6	Review Council's current contracts as they come up for renewal to ensure goods, services and works are bundled appropriately to achieve value for money for the City.



Goal 3 – Contract Management and Strategic Partnerships

- Effective contract management practices are in place at the City of Hobart.
- Local businesses and suppliers in general are supported through workshops and guidance on how they can do business with Council.
- Tender opportunities are available from one place, on tenderlink.com.au.
- Contracts are packaged in a manner, where possible, which would make tendering more accessible for local suppliers, newly formed businesses, indigenous businesses and the not-for-profit sector.
- Increased collaboration with the State Government, other councils, the National Procurement Network and Procurement Australia.

Actions

3.1	Create and deliver contract management improvement tools and training to Council Officers.
3.2	Conduct regular contract audits.
3.3	Add an annual forward work program and a running list of awarded Contracts to the procurement area on Council's website.
3.4	Provide annual awareness sessions and workshops to improve supplier's skills on how to tender for Council work in association with State Growth.
3.5	Promote the benefits of using TenderLink instead of emailing requests for quotation with Council Officers.
3.6	Review Council's Conditions of Contract on an annual basis to take legislative change into consideration and to ensure they are appropriate and our terms and conditions do not create a barrier to effective competition from local suppliers or specific groups.
3.7	Review Council's insurance clauses to ensure the type and level of insurance required is appropriate to specific engagements.
3.8	Include an innovation clause in Council's Services Agreement to encourage innovation and allow the contractor to provide better / more efficient ways of delivering the services during the contract term.
3.9	Create and implement an indigenous procurement policy.
3.10	Participate in the Local Government Capital City Procurement Network, attending meetings bi-annually.
3.11	Attend Procurement Australia awareness sessions annually.
3.12	Engage with the National Procurement Network through the Local Government Association of Tasmania (LGAT) Procurement on a regular basis.

Goal 4 - Sustainable Procurement

- The benefits of sustainable procurement are promoted to all employees and understood.
- Procurement practice is consistent with Council’s strategic objectives, key priorities and policies on environment protection.
- Procurement is integrated into Council’s social and environmental objectives and vice versa.
- Social and environmental clauses are incorporated into Council contracts where appropriate.

Actions

4.1	Develop a social procurement policy for Council that incorporates the principles of the ‘no business in abuse’ pledge.
4.2	Review Council’s current procurement principles in both the Code for Tenders and Contracts and the Purchasing Policy and Guidelines to ensure an appropriate policy position is included on environment protection and sustainability and the City of Hobart Waste Management Strategy.
4.3	Create checklists of the types of things such as packaging, recyclable materials, reused materials and end of life costs that should be considered in procurement activities.
4.4	Include the requirement for environmentally sustainable goods in contract specifications where appropriate to do so.
4.5	Introduce social clauses into Council’s suite of conditions of contract where appropriate.
4.6	Increase awareness of Council’s sustainable procurement across Council (such as reporting examples and data in the procurement newsletter) to encourage all staff to embrace the concept.



Goal 5 – Technological Innovation

- Make optimum use of available technologies to streamline procurement processes and improve compliance and information, support staff and increase access to the procurement function for potential suppliers.
- Procurement activities are supported by an integrated set of systems and tools that are fully automated to provide standardised and timely reporting.
- Deliver efficiencies through innovative ways of working.
- Embrace EProcurement – electronic ordering, electronic tendering and quotation systems, electronic payments, procurement cards for ordering and payment, ecatalogues.

Actions

5.1	Actively participate in the City's business transformation project, value adding to improvement discussions, process and system reviews.
5.2	Implement identified procure to pay improvements.
5.3	Procure and implement a contract management system for Council.
5.4	Procure and implement an expense management system for Council.
5.5	Procure scanning and bar coding systems and stationery for inventory and stock management.
5.6	Participate in the implementation of mobile solutions for ordering and procuring operationally.
5.7	Investigate the use of supplier ecatalogues where appropriate for specific categories of expenditure.



Goal 6 – Process Development

- Best practice procurement policies and procedures in place at the City of Hobart.
- Simple and streamlined procurement processes in place with aspects of the procurement process that do not add value removed.
- Procurement processes, procedures and work instructions are readily accessible from one location for all Council officers.

Actions

6.1	Implement procure to pay improved processes developed through the City's business transformation project including stores and inventory.
6.2	Assist with procurement training to implement improved processes.
6.3	Review the Purchasing Policy and Guidelines document in light of process improvements.
6.4	Review and improve the City of Hobart Code for Tenders and Contracts.
6.5	Conduct an annual review of the procurement templates and approved forms available to Council officers from the City's intranet.
6.6	Move all processes, procedures and work instructions from the Integrated Management System to Promapp.



Goal 7 – Procure to Pay

- Procure to Pay process compliance is improved including the requirement to raise purchase orders.
- Buying and paying for goods, services and works is easier and less expensive.
- Payment card usage is optimized.
- Purchase card reconciliation is performed in a timely manner.
- Spend outside of Council contracts is reduced.
- Procurement reports to measure the effectiveness of procurement practices and the performance of suppliers are available, run regularly and used to identify areas for improvement.

Actions

7.1	Develop a new corporate purchasing card policy.
7.2	Analyse Council data to identify purchasing card holders, card limits and transaction limits.
7.3	Issue new credit cards to appropriate Council officers.
7.4	Implement an expense management system and control framework.
7.5	Create support tools and train Council officers in the use of new purchasing cards.
7.6	Conduct six-monthly audits to ensure appropriate controls are in place and improvement opportunities identified.
7.7	Develop a suite of standard procurement reports.
7.8	Report to ELT on procurement compliance and performance on a quarterly basis.



Goal 8 - Inventory and Stock Management

- A well managed inventory and stock management system is in place.
- A centralised system of inventory management is in use at Council.
- The level and type of inventory held is optimised.

Actions

8.1	Implement 'just in time delivery' in consultation with relevant suppliers – delivering direct to work site where applicable and cost effective to do so.
8.2	Implement an electronic requisitioning and ordering system with workflow.
8.3	Implement the use of mobile hand held devices for ordering in the field from a catalogue of approved standard product lines.
8.4	Create and implement a new Council asset disposal policy.
8.5	Clean up all storage areas, disposing of Council assets in accordance with Council's asset disposal policy.
8.6	Implement a centralised inventory management system and processes for material items.
8.7	Review all stock lines currently held at Council to ensure items that no unnecessary items are held.



MEASURING PROCUREMENT PERFORMANCE

Procurement performance will be measured through a range of procurement compliance and performance reports.

REPORTING ON THE STRATEGY

The procurement strategy goals and objectives will be monitored and reported to the City's Executive Leadership Team on a quarterly basis to ensure continued alignment with the City's priorities.

DELIVERING THE STRATEGY

Delivery of the Procurement Strategy will be made through the procurement actions over the five year period.

STRATEGY UPDATE

The City's Procurement Strategy will be reviewed every two years.



Hobart Town Hall,
Macquarie Street,
Hobart,
Tasmania 7000 Australia
t (03) 6238 2711
f (03) 6238 2186
e coh@hobartcity.com.au
w hobartcity.com.au