



## **AGENDA**

### **FOR INNOVATION AND BUSINESS DEVELOPMENT SUB COMMITTEE MEETING TO BE HELD ON**

**8 OCTOBER 2018 AT 6.30 PM**

**IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY**

#### **MEMBERS**

Mayor G Aldridge (ex officio)  
Cr D Bryant (Chairman)  
Cr S Bedford  
Cr B Brug  
Cr G Caruso  
Cr L Caruso (Deputy Chairman)  
Cr E Gill  
Cr D Proleta  
Cr R Zahra

#### **REQUIRED STAFF**

Chief Executive Officer, Mr J Harry  
General Manager Business Excellence, Mr C Mansueto  
Manager Governance, Mr M Petrovski  
Manager Strategic Procurement, Mr M Harris  
PA to General Manager Community Development, Mrs B Hatswell

#### **APOLOGIES**

#### **LEAVE OF ABSENCE**

#### **PRESENTATION OF MINUTES**

Presentation of the Minutes of the Innovation and Business Development Sub Committee Meeting held on 13 August 2018.

Presentation of the Minutes of the Confidential Innovation and Business Development Sub Committee Meeting held on 13 August 2018.

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**REPORTS**

IBDSC1 Future Reports for the Innovation and Business Development  
Sub Committee ..... 7

IBDSC2 Strategic Procurement - Progress Update..... 9

**OTHER BUSINESS**

**CLOSE**



**MINUTES OF INNOVATION AND BUSINESS DEVELOPMENT SUB COMMITTEE  
MEETING HELD IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY ON**

**13 AUGUST 2018**

**MEMBERS PRESENT**

Mayor G Aldridge (ex officio)  
Cr D Bryant (Chairman)  
Cr S Bedford  
Cr G Caruso  
Cr L Caruso (Deputy Chairman)  
Cr D Proleta  
Cr R Zahra (*from 6:46 pm*)

**STAFF**

Chief Executive Officer, Mr J Harry  
General Manager Business Excellence, Mr C Mansueto  
Manager Governance, Mr M Petrovski  
Manager Communications and Customer Relations, Mr M Bennington  
Governance Support Officer, Ms K Boyd

The meeting commenced at 6:44 pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

**APOLOGIES**

Apologies were received from Cr B Brug and Cr E Gill.

**LEAVE OF ABSENCE**

Nil

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**PRESENTATION OF MINUTES**

Moved Cr L Caruso  
Seconded Cr G Caruso

The Minutes of the Innovation and Business Development Sub Committee Meeting held on 09 July 2018, be taken and read as confirmed.

**CARRIED**

**REPORTS**

**IBDSC1 Future Reports for the Innovation and Business Development Sub Committee**

Moved Cr L Caruso  
Seconded Cr G Caruso

1. The information be received.

**CARRIED**

**OTHER BUSINESS**

Nil

**CONFIDENTIAL ITEMS**

**IBDSC2 Marketing and Communication Service Review**

Moved Mayor G Aldridge  
Seconded Cr G Caruso

1. *Pursuant to Section 90(2) and (3)(a) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
  - *it relates to information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).*
2. *In weighing up the factors related to disclosure,*
  - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
  - *Non disclosure of this matter would enable information to be considered in detail without disclosing personal affairs of any person in relation to the matter being determined.*

*On that basis the public's interest is best served by not disclosing the **Marketing and Communication Service Review** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

**CARRIED**

The meeting moved into confidence at 6:46 pm.

*Cr R Zahra entered the meeting at 6:46 pm.*

The meeting moved out of confidence and closed at 7:17 pm.

CHAIRMAN.....

DATE.....



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<b>ITEM</b>	IBDSC1  <b>INNOVATION AND BUSINESS DEVELOPMENT SUB COMMITTEE</b>
<b>DATE</b>	08 October 2018
<b>HEADING</b>	Future Reports for the Innovation and Business Development Sub Committee
<b>AUTHOR</b>	Michelle Woods, Projects Officer Governance, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	This item details reports to be presented to the Innovation and Business Development Sub Committee as a result of a previous Council resolution. If reports have been deferred to a subsequent month, this will be indicated, along with a reason for the deferral.

#### **RECOMMENDATION**

1. The information be received.

#### **ATTACHMENTS**

There are no attachments to this report.

#### **1. BACKGROUND**

- 1.1 Historically, a list of resolutions requiring a future report to Council has been presented to each standing committee for noting.
- 1.2 The reports to standing committees also capture reports that are required to be presented to sub committees that fall within the responsibility of that standing committee.
- 1.3 The administration will now separate these and present a report indicating items that, as a result of a Council resolution, will be presented to each sub committee.

#### **2. CONSULTATION / COMMUNICATION**

- 2.1 Internal
  - 2.1.1 Report authors and General Managers.
- 2.2 External
  - 2.2.1 Nil.

**3. REPORT**

3.1 The following table outlines the reports to be presented to the Innovation and Business Development Sub Committee as a result of a Council resolution:

<b>Meeting Item</b>	<b>- Heading and Resolution</b>	<b>Officer</b>
26/02/2018	<b>Update Report on the Libraries and Marketing Program Reviews</b>	Pippa Webb
6.0.2-PRSC-OB	1. That a report be brought back to Council on the current service levels of the <u>Library</u> and Marketing and Communications functions which also considers external trends and initiatives since the program reviews that could impact on delivery of services into the future.	
<b>Due:</b>	December 2018	
<b>Deferred to:</b>	March 2019	
<b>Reason:</b>	A report regarding the future directions of the Hub Model as it relates to Community Centres and Libraries will be delivered in December. As a result this item will be deferred pending the new Councils consideration of the model.	

**4. CONCLUSION / PROPOSAL**

4.1 Future reports for the Innovation and Business Development Sub Committee have been reviewed and are presented for noting.

**CO-ORDINATION**

Officer:	Exec Group	GMCD
Date:	02/10/2018	24/09/2018



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<b>ITEM</b>	IBDSC2
	<b>INNOVATION AND BUSINESS DEVELOPMENT SUB COMMITTEE</b>
<b>DATE</b>	08 October 2018
<b>HEADING</b>	Strategic Procurement - Progress Update
<b>AUTHOR</b>	Matt Harris, Manager Strategic Procurement, Business Excellence
<b>CITY PLAN LINKS</b>	4.2 Develop strong capability and commitment to continually improve Council's performance. 4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	The City of Salisbury embarked on a Strategic Procurement transformation in late 2016 following a Program Review. The Strategic Procurement transformation has delivered tangible benefits to the organisation to date, with the opportunity for further substantial benefits to be realised with investment in the Strategic Procurement Division.

## RECOMMENDATION

1. Receive and note the report.

## ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Strategic Procurement Dashboard - Sep 18
2. Value Add Pyramid

### 1. BACKGROUND

- 1.1 In mid-2016 Business and Risk Solutions Pty Ltd (BRS) conducted a Program Review of Contracts & Procurement Services (C&PS). One of the key findings from the review is that the Operating Model be reconsidered due to the effectiveness of the service that was being provided by the function.
- 1.2 There were two Operating Models proposed by BRS:
  - 1.2.1 Streamline the role of the Contract & Procurement Services team; or
  - 1.2.2 Increase the focus on more strategic procurement activities.
- 1.3 The review also identified that there was an opportunity to review all current Procurement Processes and Procedures, to allow greater capacity to focus on the strategic procurement activities.
- 1.4 Option 1.2.2 was selected based on the opportunity for a greater return on investment to be realised.

- 1.5 Contracts & Procurement Services (C&PS) has been re-branded to Strategic Procurement (SP) and a Manager Strategic Procurement was recruited to drive the implementation of the new model.
- 1.6 A transformation plan has been developed with approximately 40 initiatives and an indicative timeframe of 3 years to fully implement the plan. These 40 initiatives address all of the Program Review actions.
- 1.7 The Procurement Policy has been reviewed and re-written (endorsed by Council in August 2017) in alignment with the transformation and a Procurement Framework developed.
- 1.8 The following specific Program Review actions have been addressed:
  - 1.8.1 Clear roles and responsibilities: a roles and responsibility (RACI) matrix has been developed and implemented for all procurement activities greater than \$150,000;
  - 1.8.2 Standardised procurement approach: the six stages of Procurement has been developed and implemented for all procurement activities greater than \$150,000; and
  - 1.8.3 Transparent timeframes: the roles and responsibility (RACI) matrix includes transparent and measurable timeframes.
- 1.9 The focus of the Strategic Procurement transformation is on commercial acumen, realising tangible value on Procurement Activities and having a strategic approach to each sourcing initiative.
- 1.10 The Strategic Procurement transformation is 18 months into its expected timeframe. There have been substantial benefits realised since commencing the transformation.
- 1.11 Strategic Procurements operating budget is currently just under \$600,000 per annum. The function currently undertakes approximately 120 procurement activities per annum (FY17/18), contract administers approximately 300 contracts, has successfully delivered tangible value and is driving the Northern Region Benefit agenda.
- 1.12 A presentation will be provided to the Sub Committee.

## **2. CONSULTATION / COMMUNICATION**

- 2.1 Internal
  - 2.1.1 Not applicable.
- 2.2 External
  - 2.2.1 Not applicable.

## **3. REPORT**

- 3.1 As per 1.2.2 above, the purpose of the Strategic Procurement transformation is to deliver on the opportunity for a greater return on investment to be realised.
- 3.2 Strategic Procurement has centralized all greater than \$150,000 procurement activities which are enabling a more strategic approach.

- 3.3 Strategic Procurement has developed a process for the measuring, capturing, monitoring and reporting of tangible benefits (value add) realised through the procurement process resulting in Cost Avoidance and Cost Reduction to the City of Salisbury.
- 3.4 Benefit (value add) categories are defined as:
- 3.4.1 Tangible: Cost Avoidance and Cost Reduction;
  - 3.4.2 Intangible: Risk Mitigation, Performance, Streamline Administration, Health Safety and Environment, Community Benefit, Northern Region Benefit, Utilisation of Australian Steel, Social Inclusion.
- 3.5 Cost Avoidance is defined as:
- 3.5.1 Reductions that cause future spending to fall, but not necessarily below the level of current and spending.
  - 3.5.2 Calculated by the difference between the Initial Price Quoted and the Actual Price.
- 3.6 Cost Reduction is defined as:
- 3.6.1 Causes future spending to fall below the level of current spending. These cost savings may then be removed from budgets, reinvested or redirected.
  - 3.6.2 Calculated by the difference between the Last Price paid and the Actual Price.
- 3.7 Strategic Procurement has developed definitions, tools and governance around the measuring, capturing, monitoring and reporting of Benefits under the categories of Cost Avoidance & Cost Reduction in accordance with industry best practice.
- 3.8 Furthermore a Strategic Procurement dashboard (refer attachment 1 – Strategic Procurement Dashboard – Sep 18) has been developed which captures and succinctly reports on:
- 3.8.1 Top left quadrant: Tangible benefits via Cost Avoidance & Cost Reduction;
  - 3.8.2 Bottom left quadrant: Northern Region Economic Benefits (% of total spend in the Northern Region);
  - 3.8.3 Top right quadrant: Key Transactional statistics, Risks mitigations, High level Strategic Transformation update; and
  - 3.8.4 Bottom right quadrant: Key Project Summary.
- 3.9 Strategic Procurement has successfully delivered over \$1.5m in tangible benefits in Cost Avoidance and Cost Reduction since commencing the transformation (18 months ago).
- 3.9.1 FY16/17 = \$0.52m (6 months) and
  - 3.9.2 FY17/18 = \$1.04m (first full financial year)
- 3.10 The percentage of total spend in the Northern Region was 51% or \$38.5m in FY16/17 and 45% or \$32m in FY17/18. This amount of spend in the Northern Region is substantial, directly contributing to the Northern Region Economic Benefit agenda.

**Opportunities**

- 3.11 Potential for future investment in Strategic Procurement to realise greater value as demonstrated to date.
- 3.12 Continue undertaking operational changes that support and align to the new strategic procurement model.
- 3.13 Further enhance the early engagement of procurement to influence the procurement approach and an emphasis on value for money negotiations.
- 3.14 Explore innovative Sourcing Strategies. There are multiple avenues to market (Sourcing Strategy) for each business need. A ‘fit for purpose’ approach should be developed by the Strategic Procurement function, in accordance with the business objectives.
- 3.15 Strategic Procurement is only exploring the tip of the iceberg in relation to the opportunities to add value. Refer to the attached Value pyramid (attachment 2) Strategic Procurement is only exploring:
  - 3.15.1 Supplier Spend Analytics – true segmentation has not begun;
  - 3.15.2 Best Price Negotiations (on a small scale);
  - 3.15.3 Multi-year contracts. Strategic Procurement has utilised this aspect as a negotiation topic; and
  - 3.15.4 Fixed Price Contracts. Strategic Procurement has significantly reduced price adjustment clauses from its recent contracts.

From the attached Value pyramid, the realised tangible Value at each level (bottom to top) increases significantly however requires greater support, planning, organisational discipline, innovation and creativity both from the Strategic Procurement function and the entire organisation.

- 3.16 Supplier Relationship Management is a further opportunity at the City of Salisbury. Again, there is significant Value to be realised. This again requires greater resourcing, support, planning, organisational discipline, innovation and creativity both from the Strategic Procurement function and the entire organisation.
- 3.17 Aligning the organisation to deliver Value for Money by incorporating an organisational Key Performance Indicator aimed at achieving Value for Money as an organizational performance objective.
- 3.18 Eliminate, reduce or remove the “administrative” tasks from the Strategic Procurement Function.

**4. CONCLUSION / PROPOSAL**

- 4.1 The decision taken by Council to increase focus on more strategic procurement activities, following the program review, has demonstrated outstanding outcomes. This decision, the Strategic Procurement vision and the support from Council and Executive has provided the direction and built the foundation for an ongoing Return on Investment and ensuring Value for Money for the City of Salisbury’s community.

- 4.2 The Strategic Procurement transformation has delivered over \$1.5m in tangible benefits since commencing with a continued focus on the total spend contributing to the Northern Region Economic Benefit agenda.
- 4.3 These benefits are expected to grow again in FY18/19 and into the future with even greater value forecast with further investment and realising the Opportunities.
- 4.4 The Strategic Procurement function is no longer a cost center to the organisation and has returned more than one and a half (ROI) over the last two financial years.
- 4.5 Over the past 18 months there have been several challenges, however these can be turned into opportunities as defined above, with opportunities to consider alternate Project Delivery Models and sourcing strategies.

**CO-ORDINATION**

Officer: Executive Group  
Date: 02/10/2018



### STRATEGIC PROCUREMENT DASHBOARD

" adding value in everything we do"

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#### VALUE ADD

Sum of 16/17 | Sum of 17/18

### Cost Avoidance & Reduction

#### KEY STATS

	Amount	# of Suppliers	Avg \$ per Supplier	# of Trans	Avg \$ per Trans	# of PO's	# of Contracts
AP	\$71,129,751	916	\$77,653	27,671	\$2,571	2,736	423
PC	\$216,174	250	\$865	791	\$273	0	0
<b>Total</b>	<b>\$71,345,925</b>	<b>1,069</b>		<b>28,462</b>		<b>2,736</b>	<b>423</b>

To Q3

#### RISK

- CoS Contracts / Agreements reviewed. Drop in clauses developed. High risk mitigator.
- SP driving to ensure CoS T&C's are utilised. Significant risk mitigator.

#### STRATEGIC PROCUREMENT TRANSFORMATION

- Presented SP Vision to all GM's & DM's.
- Competency assessment & gap analysis complete.
- 6 Stages of Procurement & RACI implemented.
- Commercial negotiations identifying realised value.

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#### NORTHERN REGION BENEFIT

	Northern Group \$	Salisbury \$	Northern Region Spend	Other \$	Total \$	Northern Region %	
FY16/17	\$24,291,797	\$14,246,300	\$38,538,097	\$36,779,527	\$75,317,624	51%	Full FY
FY17/18	\$19,843,681	\$12,186,355	\$32,030,036	\$39,315,889	\$71,345,925	45%	Full FY

### Northern Region %

#### KEY PROJECTS

PCMS / Contract #	Description	Department	Division	Proc Rep	Detail / Comments
11222	SCH - D&C Contractor	CiD	Strategic Dev Projects	Simone Schmidt	Significant role
11220	Fleet - Street Sweepers	CI	Prop & Buildings	Patrick Barron	Value Add
11143	Landscape Maintenance - Mawson Lakes	CI	Field Services	Patrick Barron & Dave Cook	Value Add
11127	Pooraka WTS	CI	Field Services	Matt Harris	Value Add
11054	Security Services - Service Consolidation	CI	Prop & Buildings	Sue Barclay	Value Add

**26 Priority 1 projects completed to support the carry forward KPI**

#### FY17/18 - Completed Procurement Activities YTD

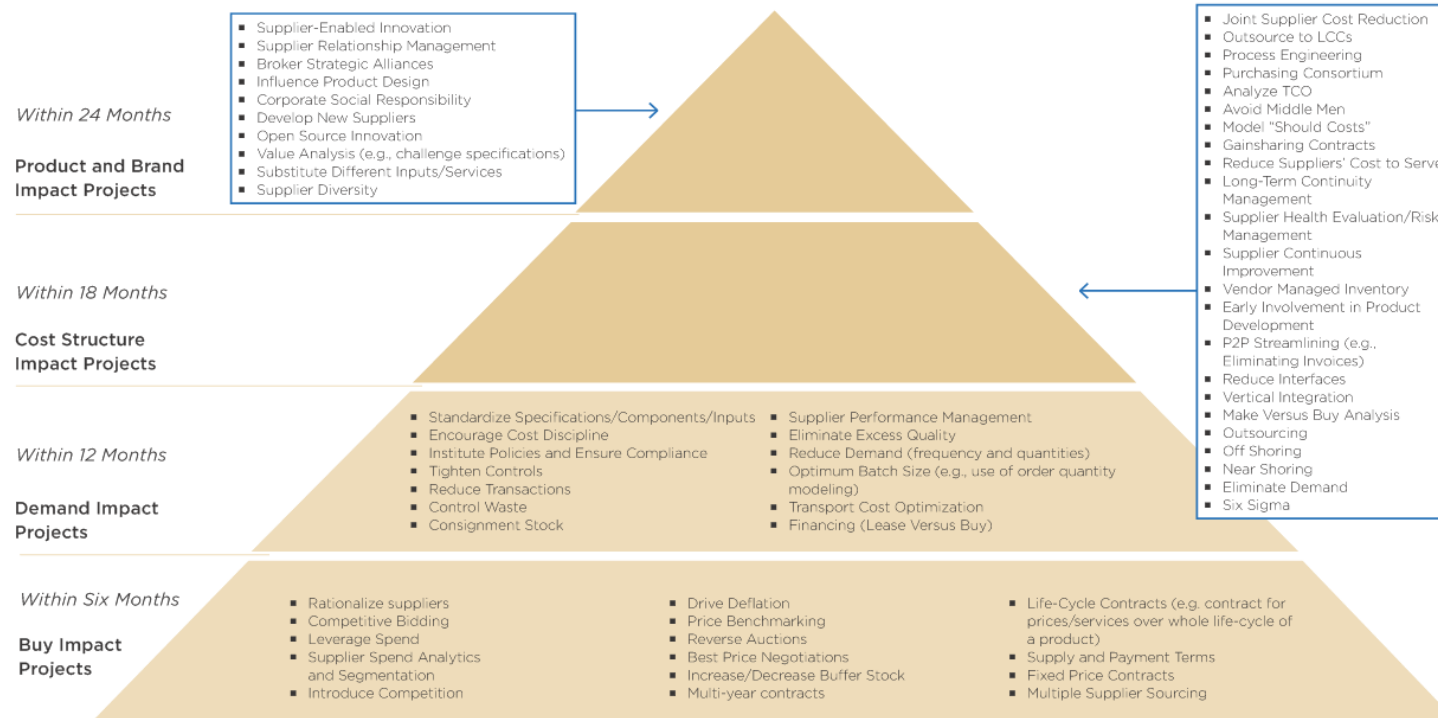
Deptment	Count
BE	32
CD	6
CEO_GOV	3
CI	71
CiD	17
<b>Total</b>	<b>129</b>





## STEP 8: AIM TO INCREASE NUMBER OF TOP OF PYRAMID IDEAS OVER TIME

Strategic Framework for Category Management—Procurement Solution Inventory



From the PROCUREMENT STRATEGY COUNCIL\* of the FINANCE AND STRATEGY PRACTICE  
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