



AGENDA

**FOR PROGRAM REVIEW SUB COMMITTEE MEETING TO BE HELD ON
11 JULY 2016 AT THE CONCLUSION OF SPORT, RECREATION AND
GRANTS COMMITTEE
IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY**

MEMBERS

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

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
Manager Governance, Ms T Norman

APOLOGIES

An apology has been received from Mayor G Aldridge.

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Program Review Sub Committee Meeting held on 09 May 2016.

REPORTS

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OTHER BUSINESS

CLOSE



**MINUTES OF PROGRAM REVIEW SUB COMMITTEE MEETING HELD IN
COMMITTEE ROOM 1, 12 JAMES STREET, SALISBURY ON**

9 MAY 2016

MEMBERS PRESENT

Cr R Zahra (Chairman)
Mayor G Aldridge
Cr D Balaza (as deputy member to Cr E Gill)
Cr S Bedford
Cr D Bryant
Cr G Caruso
Cr L Caruso
Cr D Proleta
Cr B Vermeer

STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager Community Development, Ms J Trotter
Manager Governance, Ms T Norman
Manager Community Capacity and Learning, Ms P Webb
Manager Property and Buildings, Mrs K Pepe
Manager Business Support, Mr K Stewart
Senior Coordinator Project Administration, Ms C Martin

The meeting commenced at 7.00pm

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

APOLOGIES

An apology has been received from Cr E Gill, with Cr D Balaza attending as the Deputy Member for Central Ward.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr D Balaza

Seconded Cr B Vermeer

The Minutes of the Program Review Sub Committee Meeting held on 15 March 2016, be taken and read as confirmed.

CARRIED

REPORTS

PRSC1 Library Branches Christmas Opening Hours 2016

Moved Cr G Caruso

Seconded Cr L Caruso

1. Option 4, recommending that:
 - all Library staff defer the ½ day of leave on Friday 23rd December 2016;
 - Len Beadell Library only be open on Saturday 24th December 2016, Wednesday 28th, Thursday 29th, Friday 30th and Saturday 31st December 2016
- be adopted for Christmas 2016.

CARRIED

PRSC2 Property and Buildings Division Program Review Update

Mayor G Aldridge left the meeting at 07:28 pm.

Mayor G Aldridge returned to the meeting at 07:32 pm.

Moved Mayor G Aldridge

Seconded Cr D Bryant

1. The information be received.

CARRIED

PRSC3 Business Support Division Program Review Update

Cr D Bryant left the meeting at 07:54 pm.

Cr D Bryant returned to the meeting at 07:56 pm.

Moved Cr D Proleta

Seconded Mayor G Aldridge

1. That the information be received.

CARRIED

OTHER BUSINESS

Nil

CLOSE

The meeting closed at 8.20pm.

CHAIRMAN.....

DATE.....

ITEM	PRSC1		
	PROGRAM REVIEW SUB COMMITTEE		
DATE	11 July 2016		
PREV REFS	PRSC	PRSC5	10/08/2015
HEADING	Parks & Landscape and Civil Services Program Review - Update and Implementation Plan		
AUTHORS	Mark Purdie, Manager Parks & Landscape, City Infrastructure Lyall Thomas, Manager Civil & Waste, City Infrastructure Mark van der Pennen, General Manager City Infrastructure, City Infrastructure		
CITY PLAN LINKS	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.		
SUMMARY	This report provides an update on the Parks & Landscape and Civil Services Program Review. Assessment of provisional findings following extensive consultation and engagement has enabled consolidation of continuous improvement opportunities, service level adjustments, and modes of service delivery changes for further investigation and analysis. An implementation plan has been developed to capture the key actions required to implement endorsed changes and guide final stages of the program review.		

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 The findings of the initial stage of the review into the Parks and Landscape and Civil Services Divisions were reported (PRSC5) to Council in August 2015. In this report, service levels were adopted and other provisional opportunities were supported by Council for further consultation.
- 1.2 Subsequent to the August 2015 Council report, a discussion paper was developed which comprised a summary of key findings and proposals for change (provisional opportunities) and a detailed consultation and engagement plan.

1.3 Extensive consultation with staff in these divisions was undertaken from September to December 2015 in accordance with the endorsed consultation and engagement plan. This included meetings with the works committee, presentations to all staff, multiple workshops with impacted teams, one on one meetings, and provision of written feedback via a form and the suggestion box.

1.4 Table 1 below provides an overview of the project status and key milestones.

Table 1 – Summary of Project Status

Stage	Activity	Date
Phase 1	Investigation, data gathering, initial consultation & development of provisional findings	November 2014 – March 2015
Phase 2	Presentation of provisional findings with Executive & Council. Adoption of service level changes and endorsement of findings for further consultation with staff	April 2015 – August 2015
Phase 3	Consultation and engagement on provisional findings, assessment of feedback, finalisation of service level changes, consolidation of continuous improvement opportunities, finalisation of principles for modes of service delivery, finalisation of areas for further investigation and potential changes in modes of service delivery	September 2015-April 2016
Phase 4	Implementation of service level changes Implementation of continuous improvement initiatives Implementation of changes to modes of service delivery (some) Undertake detailed investigations and comparative analysis of service areas for potential service mode changes and market testing	April 2016 – June 2018
Phase 5	Implement final decision on service mode changes	As completed

2. CONSULTATION / COMMUNICATION

2.1 Internal

2.1.1 Parks and Landscape Staff

2.1.2 Civil and Waste Staff

2.1.3 Manager People and Culture

2.2 External

2.2.1 N/A

3. REPORT

3.1 Service & Feedback Analysis

3.1.1 Feedback was sought on continuous improvement initiatives, methods for implementing service level changes adopted by Council, principles developed for assessing service delivery modes and service areas identified for potential change in service delivery mode.

3.1.2 All feedback received through consultation was considered and assessed against the provisional opportunities and change proposals developed in the initial stage of the review. This meets industrial requirements and enabled refinement of proposals and determinations for implementing the next phase of the review.

3.2 Service Level Changes

- 3.2.1 Adjustments to service levels adopted by Council in August 2015 have been incorporated into the implementation plan – refer Table 3.
- 3.2.2 The 2016/17 operating budget for Parks & Landscape has been adjusted by (\$55k) to reflect savings from adopted service level changes to pest and weed control.

3.3 Modes of Service Delivery

- 3.3.1 As part of Stage 1 of the review, principles were developed to assist in determining the most appropriate service methodology for each service area. Assessment of feedback throughout the consultation process did not result in any changes to these principles.
- 3.3.2 Following receipt of feedback, each service area was re-assessed against the principles. The re-assessment validated the 7 service areas originally considered for further evaluation and potential market testing. Following consultation and re-assessment, some additional services such as water meter reading and side entry pit cleaning were identified to be included in the services for further assessment.
- 3.3.3 The next phase of the review will include the development of a service analysis and comparison framework and the gathering and analysis of performance data to determine the potential gains in changing modes of service delivery (contracting). As such, opportunities for changes in the mode of service delivery identified in Table 2 are provisional (except for tree services and construction work) and subject to verification. An assessment plan will be developed for each service area to guide further investigations and comparative analysis.
- 3.3.4 A two part approach is proposed to conduct further investigations on services identified for comparative analysis and potential changes in service delivery mode, over a 3 year period.
- 3.3.5 Assessments have been completed for tree services and construction work and no further analysis is required in these areas. The construction crew will cease operations by 1 December 2016 with existing staff re-deployed to civil maintenance or other vacancies in accordance with Council's re-deployment guidelines and Industrial Relations requirements. Staff have been advised of these changes and are provided appropriate support during the change process. Refer Table 2 below.

Table 2 – Service Areas Identified for Potential Changes to Modes of Service Delivery

Service Area	Assessment	Timing
Construction Work	Completed. Cease internal construction work activity and contract/market test all construction work.	Re-deploy staff to civil maintenance or vacancies by 1 December 2016
Tree Services	Completed. Increase programmed tree pruning contractual works by \$140k to meet adopted service levels (5yrs residential, 3 yrs main road). Transfer \$70k from reactive contract pruning and \$70k from internal reactive pruning budget.	Implement new service levels 16/17

Street Sweeping	Service area selected for further analysis and potential service mode change to ensure best value is achieved.	12 - 18 months
SEP Cleaning	Service area selected for further analysis consultation with staff.	12 - 18 months
Pest & Weed Control	Service area selected for further analysis and potential service mode change to ensure best value is achieved.	12 - 18 months
Native Landscapes	Service area selected for further analysis and potential service mode change to ensure best value is achieved.	12 - 18 months
Irrigation Maintenance	Portion of service area selected for further analysis and potential service mode change to ensure best value is achieved. <ul style="list-style-type: none"> • 90 Neighbourhood Reserves (14%) • Water Meter Reading (10%) 	12 - 18 months
Reserve Maintenance	Portion of service area selected for further analysis and potential service mode change to ensure best value is achieved. Focus on: <ul style="list-style-type: none"> • Tractor work • Low Category Reserves (dryland with no infrastructure) • Walkways • BBQ Cleaning • Non-Irrigated Roundabout Maintenance (residential areas) 	18– 36 months
Road Failure Repair	Service area selected for further analysis and potential service mode change to ensure best value is achieved.	18– 36 months

3.4 Continuous Improvement Opportunities

- 3.4.1 The initial continuous improvement proposals were derived from earlier consultation processes and are generally well accepted in the workforce. Further consultation with staff assisted to build a shared understanding of the need for change and continuous improvement in service delivery with additional ideas captured through the consultation process.
- 3.4.2 The continuous improvement opportunities can now be consolidated and implemented with the aim of improving the efficiency and effectiveness of work teams. This will be undertaken concurrently with further data gathering and comparative analysis of services identified for potential service mode change.
- 3.4.3 There will be a continuous improvement team set up to analyse each continuous improvement opportunity.

3.5 Implementation Plan

- 3.5.1 An implementation plan has been developed as Table 3 below to capture key actions and timeframes, track the implementation of decisions, and to guide and progress the next stage of the review. The implementation plan is divided into 3 key areas; continuous improvement, service level changes and modes of service delivery.

Table 3 – Parks & Landscape and Civil Services Program Review – Implementation Plan

Item	Activity	Target Date	Status
Continuous Improvement Initiatives			
1	Develop internal continuous improvement working team to champion and communicate CI initiatives	Aug 2016	Commenced
2	Develop key performance indicators and data capture and reporting requirements for each service area	Aug 2016	Commenced
3	Implement Confirm Mobility Project	Aug 2017	Commenced
4	Work Programming – develop and revise routine works programs; integrate into confirm	Jun 2017	Commenced
5	Work Place Practices – develop procedures for improved productive time in the field	Dec 2016	Not started
6	Review and give consideration to development of consistent leadership structure	June 2017	Commenced
7	Multi-Skilling – develop and test pilot project	June 2017	Not started
8	Assess and respond to improvement ideas and suggestions put forward during consultation	June 2016	Commenced
Service Level Changes			
9	Update Bushfire Management Plan	June 2017	Commenced
10	Implement revised playground inspection regimes and additional audits for bmx tracks, dog parks, coaches boxes, sports courts and skate parks	July 2016	Commenced
11	Liaise with Northern Districts Cricket Club regarding service provision of turf cricket wickets	Dec 2017	Not started
13	Develop Business Case for upgrade of 3 rd Watering Truck	Dec 2017	Not started
14	Pest Control - Adjust service levels and 2016/17 Operating Budget - decrease by \$25k	Aug 2016	Completed
15	Weed Control – Adjust service levels and 2016/17 Operating Budget – decrease by \$30k	Aug 2016	Completed
16	Biodiversity - reduce enhancement sites from 12 to 6	June 2016	Completed
17	Tree Pruning Programmed - Adjust 2016/17 Operating Budget – transfer \$70k from reactive contract pruning and \$70k from reacting internal pruning. Reduction in vacant position in tree pruning team. Implement new service levels for programmed tree pruning.	July 2016	Completed
Modes of Service Delivery			
18	Develop service comparison / market testing framework	Aug 2016	Commenced

19	Develop assessment plans for services for further analysis / potential market testing	Aug 2016	Commenced
20	Reserve Maintenance – Pitman Park & irrigated areas at Pioneer Park, Onsley Green, Daniel Ave, & Kentish Green added to existing contracts. Additional internal reserve services at St. Kilda	July 2016	Completed
21	Data gathering, performance assessment, comparative analysis Stage 1 (Pest & Weed, Irrigation, Native Landscape, Street Sweeping)	Dec 2017	Commenced
22	Data gathering, performance assessment, comparative analysis Stage 2 (Reserve Maintenance & Road Failure Repair)	June 2018	Not started
23	Construction Crew – re-deployment/change process – cease construction activity by Dec 2016	Dec 2016	Commenced

4. CONCLUSION / PROPOSAL

- 4.1 Provisional findings identified in the first phases of the Program Review have been extensively consulted with staff. Feedback received has been analysed and considered along with re-validation and further assessment of the provisional opportunities, enabling the consolidation of continuous improvement initiatives, service level adjustments, and modes of service delivery changes for further investigations and implementation.

CO-ORDINATION

Officer: GMCI
Date: 02/06/2016

ITEM	PRSC2
	PROGRAM REVIEW SUB COMMITTEE
DATE	11 July 2016
HEADING	Contracts & Procurement Program Review Outcome
AUTHOR	Charles Mansueto, General Manager Business Excellence, Business Excellence
CITY PLAN LINKS	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.
SUMMARY	This report provides an update of the program review into Contracts & Procurement and seeks consideration and noting of the recommendations to be implemented.

RECOMMENDATION

1. This report and the BRS Report – Procurement and Contract Review (as set out in Attachment 1, Item No. PRSC2, Program Review Sub Committee, 11/07/2016) be received and noted.
2. The management responses as set out in Attachment 2 (Item No. PRSC2, Program Review Sub Committee, 11/07/2016) be noted, and the Executive Group monitor implementation of the actions as required.

ATTACHMENTS

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

1. BRS Report - Procurement & Contract Review May 2016
2. Management Response to Recommendations
3. Background Paper - Contracts & Procurement
4. Budget Breakdown - Contracts & Procurement

1. BACKGROUND

- 1.1 As part of the broader Program Review initiative, the Contracts & Procurement division have recently been reviewed by consultancy firm BRS.
- 1.2 The review commenced in September 2015 with expected completion early 2016.
- 1.3 The review of Contracts & Procurement were scheduled to occur at the same time as Technical Services and Project Services given the strong relationship that procurement has with the design and delivery of capital and operating projects within the City Infrastructure department.

- 1.4 Both Technical Services and Project Services are still in progress but discussions have occurred to ensure some alignment between each of the relevant areas.
- 1.5 The report from BRS is provided as Attachment 1, with a summary of the findings, recommendations and management response provided as Attachment 2.
- 1.6 Staff within Contracts & Procurement have been briefed on the report findings and outcomes and any relevant improvement opportunities.
- 1.7 At its August 2015 meeting Council considered the brief and background paper for the Contracts & Procurement Review. Provided as attachment 3 is the background paper as presented at the August 2015 meeting.
- 1.8 The background paper summarises the current operation of Contracts & Procurement.
- 1.9 The following table provides a comparison of procurement statistics for 2014/15 and 2015/16.

Procurement Statistics	2014/15	2015/16
Procurement Processes Created	106	102
Contracts Awarded	235	180
Contract Extensions	126	97
Contracts Completed	173	314

2. CONSULTATION / COMMUNICATION

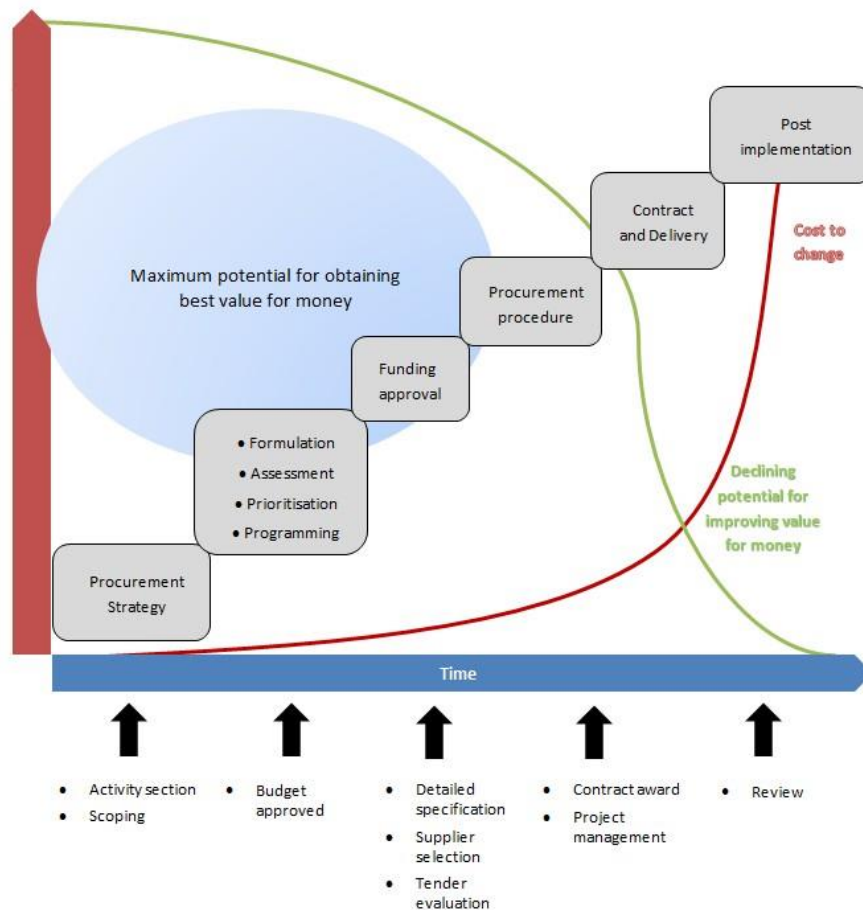
- 2.1 Internal
 - 2.1.1 Contracts & Procurement division staff.
 - 2.1.2 Feedback from various parts of the organization sourced by BRS in compiling their report.

3. POLICY SETTING

- 3.1 Council has in place an overarching Procurement Policy that provides guidance to staff on the key outcomes expected to be delivered through the process while also ensuring the level of accountability and probity is maintained at a high level.
- 3.2 The vision identified in the policy notes, "...to use strategic procurement to identify, source and realise real value on a sustainable level.
- 3.3 This review findings and recommendations are focused on delivering on this vision.

4. OVERVIEW OF FINDINGS

- 4.1 The review into Contracts & Procurement aimed to consider the following areas:
- Strategic relevance of the service in the delivery of value for money outcomes to council,
 - The boundaries of Contracts & Procurement involvement including ownership of procurement elements,
 - Efficiency and effectiveness of the procurement process,
 - Alternative service delivery options,
 - Service delivery in line with expectations of the customer,
 - Balancing risk vs. process and audit requirements,
 - Accountability across council for the delivery of procurement, and
 - KPI/ monitoring/ measuring of performance.
- 4.2 The review identified that Council has made considerable progress in improving the rigour of the procurement process, particularly around the acquisition planning, tendering and purchasing.
- 4.3 This rigour has established a base from which Council can now progress to improving the efficiency of the procurement process and create further value through a more strategic and commercial approach to procurement.
- 4.4 BRS identified the following key themes:
- 4.4.1 Improving efficiency and role clarity of the procurement process, and making it more user friendly for both staff and external contractors;
 - 4.4.2 Earlier engagement on strategic procurements well before the acquisition plan is submitted to obtain input from key staff on the scope, design, key risks, procurement objectives, and procurement model;
 - 4.4.3 Shift in Contracts & Procurement focus from process and procedures, to strategic procurement activities. In our view by implementing some efficiencies there is an opportunity for Contracts & Procurement to play a greater role in advising Executive in a proactive way at early stages in the project/ contract lifecycle and enabling strategic procurement outcomes;
 - 4.4.4 Promoting greater accountability of staff around the procurement process;
 - 4.4.5 Improving internal control over procurement activities to reduce the potential of fraud or misappropriation of funds. This is particularly the case in terms of being tighter around use of the finance system for raising of purchase requisitions and purchase orders.
- 4.5 In essence the focus of Contracts & Procurement has been on ensuring the risk to the organization is minimised through more robust processes that are predominately at the later stages of a procurement cycle, eg acquisition plan and tender stages. In doing so the opportunity to engage at an early stage of the procurement cycle and deliver greater benefit was not always possible.
- 4.6 A graphical representation of the procurement cycle and where the greatest benefit is obtained is highlighted in the following diagram.



4.7 The report from BRS has summarised their findings into four key themes, being

- Structure & Role
- Accountability, Collaboration and Partnering
- Systems & Processes
- Strategic Procurement

4.8 The attached report details each of these sections and provides a set of findings and recommendations for consideration. A response to each of these recommendations is provided at Attachment 2.

5. REVIEW PROCESS

5.1 In conducting the review BRS completed the following:

- 5.1.1 Review of previous audits and reviews undertaken including Galpins Audit Report (SEP14) and work undertaken by ArcBlue;
- 5.1.2 Approximately 10 workshops or interviews with staff from across Council including Contracts & Procurement team members, General Managers and procurement end users;
- 5.1.3 Review of approximately 80 documents including existing training guides, reports, policies and procedures;
- 5.1.4 Step by step walkthrough of procurement and development of responsibility matrix (see Appendix A);

- 5.1.5 Debrief with the CEO, GM, and Contracts & Procurement Manager on our findings to test their validity; and
- 5.1.6 Leveraging over 20 years' experience in finance, procurement and commercial systems roles within the private sector and also undertaking similar reviews with other Local Government organisations within South Australia and Victoria.

6. STRUCTURE

- 6.1 The BRS report notes under Structure and Role a recommendation to consider three alternate operating models
 - 6.1.1 Option 1 is to maintain existing focus on the “procedure” stages of the procurement cycle and given that much of this work has been completed, there is an opportunity to reduce the current size of the team with further efficiency improvements.
 - 6.1.2 Option 2 is to apply a greater focus on strategic procurement. This is achieved through implementing the various recommendations to improve efficiencies and focus some of the resources on the commercial and strategic outcomes of earlier involvement in the procurement process. This option would retain the existing staff numbers.
 - 6.1.3 A hybrid of Option 1 is to utilize the savings from the reduced resources to engage a Commercial Manager reporting directly to the Chief Executive Officer. This role would have a broader commercial focus across the organization.
- 6.2 Of these three options, the preference is to adopt Option 2 which allows for improvement in existing processes but also aligns resources to the strategic and commercial outcomes. The current structure is provided in the attached Background Paper.
- 6.3 The proposed option will require that the commercial and strategic skills and experience are developed and/or brought in to the organisation to ensure the outcomes are achieved.
- 6.4 In line with the recommendations of this report, it is proposed that the new structure will align existing staff numbers into either strategic or transactional roles. It is critical that the manager role has the appropriate strategic and commercial skills and experience to drive the changes needed at an organisational and team level.
- 6.5 This role will also need the ability to transfer these skills to others across the organisation so that it is embedded in how we deliver procurement. It is proposed that the new manager role be advertised externally given the change in scope of the role and required experience and skill set.
- 6.6 Reporting to the manager role will be two positions; Strategic Procurement Analyst and Procurement Coordinator.
- 6.7 The Strategic Procurement Analyst will engage with the organisation at early stages of the procurement cycle focusing on forward planning, defining procurement objectives, acquisition strategy, KPI reporting and business partner with the Strategic Property Development division.

- 6.8 The Procurement Coordinator will oversee two Procurement Officers. All three positions will have responsibility in preparing Acquisition Plans, tender documents, credit card administration, contract extensions, document template administration, and training.
- 6.9 The three positions will also business partner with the balance of the organisation with approximately two focused on City Infrastructure and one across City Development, Community Development and Business Excellence/CEO Governance.
- 6.10 Of note is the change in responsibilities with development of Acquisition Plans and tenders. Ownership of these documents will be the relevant asset owner or divisional manager with Strategic Procurement staff providing support and guidance in their preparation.
- 6.11 Other changes recommended involving financial controls are currently being discussed with Financial Services.

7. DIVISION BUDGET

- 7.1 The following tables summarise the operating budget for Contracts and Procurement for 2015/16 and 2016/17.

Bus Unit Oper Stat	2015/16	2016/17
01 - Wages & Salaries	409,900.00	425,600.00
05 - Contractual Services	15,100.00	15,100.00
09 - Materials	1,300.00	1,300.00
17 - Depreciation	6,300.00	6,300.00
25 - Other Expenses	4,650.00	11,070.00
29 - Internal Expenses	25,900.00	23,800.00
	463,150.00	483,170.00

- 7.2 A detailed breakdown is provided as attachment 4
- 7.3 No changes in the operating budget are proposed with the focus of extracting better value to the organization from a stronger strategic and commercial focus.

8. CONCLUSION / PROPOSAL

- 8.1 This review has confirmed the view that Council has made considerable progress in the rigor of the procurement process and that it can now focus on adding greater value by implementing a more strategic and commercial focus.
- 8.2 To achieve this will require a different skill set and approach within Contracts & Procurement so that it can support the organisation in its transition. This will be achieved by the upskilling of existing staff and considering the opportunity to bring in new skills and experience.
- 8.3 Further a number of opportunities to improve existing processes have been identified and will be delivered through the implementation of the review recommendations.
- 8.4 Council are asked to consider the review findings, recommendations and the proposed response to these recommendations.

CO-ORDINATION

Officer:

Date:



RESULTS THROUGH EXPERIENCE

City of Salisbury

Procurement and Contract Review

April 2016 (updated May 2016)

Contents

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1. Executive Summary and Introduction

BRS was engaged by the City of Salisbury to undertake a review of the current delivery of services by the Contract and Procurement Services (C&PS) division to ensure the service aligns with the organisations strategic directions to achieve sound outcomes within the key objectives of procurement. Key outcomes sought from the review included:

- > Strategic relevance of the service in the delivery of value for money outcomes to council;
- > The boundaries of C&PS involvement including ownership of procurement elements;
- > Efficiency and effectiveness of the procurement process;
- > Alternative service delivery options;
- > Customer expectations;
- > Service delivery in line with expectations of the customer;
- > Balancing risk vs. process and audit requirements;
- > Accountability across council for the delivery of procurement; and
- > KPI/ monitoring/ measuring of performance.

During this review it was evident that the City of Salisbury had made a considerable investment over the past five years to improve the rigour of the procurement process. The last five years of investment appeared to have increased the level of rigour around the acquisition planning, tendering, and purchasing processes. In fact, compared with similar reviews, alongside of other councils we have undertaken the level of rigour at City of Salisbury was strong and reflects a considerable investment made.

Given that much of the rigour in the procurement process has already been established by City of Salisbury, our area of focus was more around improving efficiency of the procurement process and also the opportunity to improve value for money outcomes through a more strategic focus on procurement activities at the early stages of a project / contract lifecycle. Our review thus identified the following key themes:

- > Improving efficiency and role clarity of the procurement process, and making it more user friendly for both staff and external contractors;
- > Earlier engagement of Executive in the procurement process. For example engaging with Executive on strategic procurements well before the acquisition plan is submitted to obtain their input on the scope, design, key risks, procurement objectives, and procurement model;
- > Shift in C&PS focus from process and procedures, to strategic procurement activities. In our view by implementing some efficiencies there is an opportunity for C&PS to play a greater role in advising Executive in a proactive way at early stages in the project/ contract lifecycle and enabling strategic procurement outcomes;

- > Promoting greater accountability of staff around the procurement process;
- > Improving internal control over procurement activities to reduce the potential of fraud or misappropriation of funds. This is particularly the case in terms of being tighter around use of the finance system for raising of purchase requisitions and purchase orders.

To further explain the key points above we have incorporated the following diagram in Figure 1 below. The aim of the diagram is to show the various steps in the procurement process starting from procurement strategy (scope, design, procurement model), funding approval (budget approval), procurement procedure (acquisition planning, tendering, purchasing), contract delivery (contract management) and post implementation.

The diagram aims to show the key opportunity to obtain improved value for money outcomes is not at the stage of procurement procedure or contract delivery, but rather in procurement strategy and formulation early stages of a project / contract lifecycle. It is found at the early stages that the right scope, design and procurement strategy can be developed which has a flow through effect to the remainder of the project.

Our observations of the City of Salisbury show that the early stages of scoping, design and procurement strategy are often undertaken in silos within business units without adequate engagement of C&PS or Executive. Often C&PS or Executive are not engaged until the acquisition plan and tendering stages. By this time the opportunity for innovation and improved value for money opportunities has been significantly reduced.

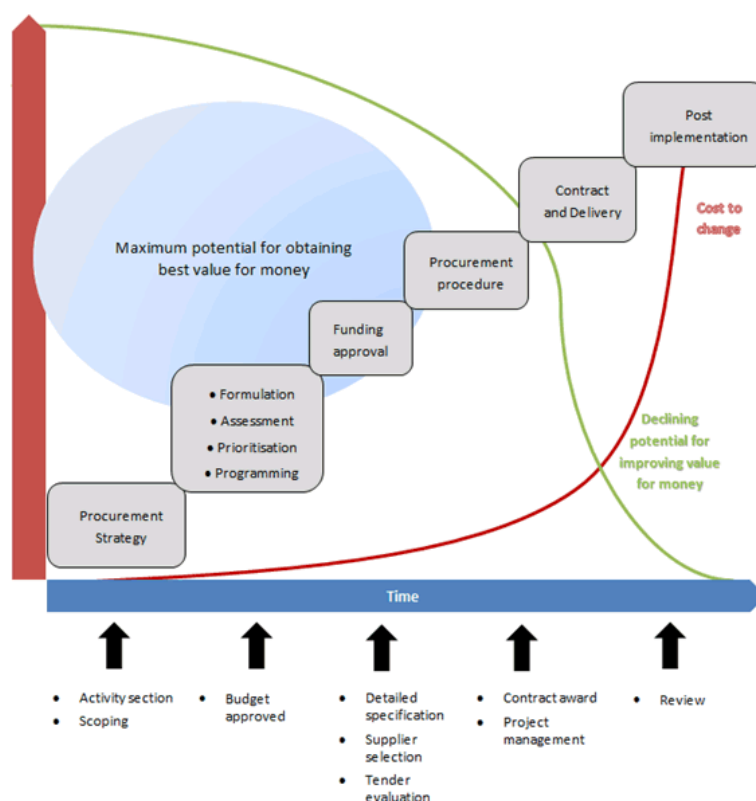


Figure 1. Project/Contract Lifecycle

A key focus of our report is around promoting efficiencies in the acquisition planning, tendering and purchasing stages to free up time for staff, C&PS and Management to increase focus at the procurement strategy stages.

Our review was conducted using a mixture of workshops, one on one interviews, review of documentation and flowcharting of business processes. This included:

- > Review of previous audits and reviews undertaken including Galpins Audit Report (SEP14) and work undertaken by ArcBlue;
- > Approximately 10 workshops or interviews with staff from across Council including C&PS team members, General Managers and procurement end users;
- > Review of approximately 80 documents including existing training guides, reports, policies and procedures;
- > Step by step walkthrough of procurement and development of responsibility matrix (see Appendix A);
- > Debrief with the CEO, GM, and C&PS Manager on our findings to test their validity; and
- > Leveraging over 20 years' experience in finance, procurement and commercial systems roles within the private sector and also undertaking similar reviews with other Local Government organisations within South Australia and Victoria.

Our report has been structured into four key areas in terms of observations and recommendations:

- > Structure and Role;
- > Accountability, Collaboration and Partnering
- > Systems and processes; and
- > Strategic Procurement.

In each of these areas we have provided an overall summary as well as specific observations and recommendations. The summaries are intended to provide overall themes however the detailed observations are the core element in terms of providing assistance to City of Salisbury around where there are potential areas for improvement.

Our review is limited in scope and allocated time, and as such the opinions in this report should be taken in context of this. Although every attempt has been made to source evidence for our recommendations there is an inherent degree of subjectivity in a review such as this.

2. Recommendations

2.1 Structure and Role

As outlined in our Executive Summary a key theme around our review was the role of the C&PS team in terms of degree to which it focuses on the 'procurement procedure' stages (as per figure 1 in the Executive Summary) of the project / contract lifecycle vs. the 'procurement strategy' stages of the project / contract lifecycle. Our observation was that over the past five years the C&PS team as needed to focus on the 'procurement procedure' stages in order to improve the level of rigour in the procurement process through development of policies, procedures, training materials and systems. This has included ensuring rigour over the acquisition planning, tender administration and purchasing processes. C&PS have played a key role in increasing this rigour and ensuring that there is adequate control over how staff procure goods and services.

In pursuit of increased rigour over the 'procurement procedure' stages we observed that at times this meant that the role of C&PS overextended into areas that staff, Finance or Management should be responsible or accountable for. To address this we facilitated a workshop with C&PS, Finance and select staff to develop a Responsibility Matrix (refer Appendix A) to be clear on who is responsible for what in terms of the procurement process. Through this process a need for staff to be more accountable for owning the quality and outcomes of the acquisition planning process was evident. Greater clarity around roles of C&PS team and the Finance team in terms of the purchasing process was also deemed evident.

We also identified that much of C&PS time is taken up in the Funding Approval (Acquisition Planning) and the 'Procurement Procedure' stages of the project lifecycle. In our opinion there is an opportunity to implement efficiencies in the 'Procurement Procedure' stages of the project / contract lifecycle to allow C&PS to play a greater role in the 'Procurement Strategy' stages of the project / contract life-cycle. In our view the current size of the C&PS team would allow for this assuming that efficiencies can be achieved to free up time of the team. As shown below we have recommend two options for City of Salisbury to assist with the structure and roles of the team:

- > Option 1 – Maintain existing role but reduce size: Maintain the role of the team as it currently stands in terms of focusing predominantly on the 'funding approval' and 'procedure' stages of the project cycle. Given that much of the investment in terms of bedding the procurement processes has been largely achieved, the current size of the team could be reduced if efficiencies were implemented; or
- > Option 2 – Increase focus on Strategic Procurement: Continue with existing size of team, but implement efficiencies so that it also play a greater role in the 'procurement strategy' stages of the project/ contract lifecycle. In this option C&PS can play a more strategic role at early stages of the project / contract lifecycle with the aim of achieving greater cost savings and innovations.

Ultimately this is a business decision for City of Salisbury as each option encourages financial benefits for the council.

The following table summarises the key findings in this area of the report:

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Observation	Recommendation	Priority (H/M/L)	Owner	Timing
Role of C&PS > Need for greater clarity around roles and responsibilities through the procurement process. Role Clarity required in terms of who is accountable for procurement strategy, acquisition planning, delegations, purchase requisitions, purchase orders, contract management, master-data maintenance etc. > C&PS teams time is taken up checking and verifying, on administrative and other operational tasks during the acquisition planning, tendering, purchasing and contract management stages of the process which prevents time being spent on more strategic activities.	Role clarity matrix and RACI for the procurement process to ensure clarity over who is accountable and responsible.	High	CM/LR	Completed (Appendix A)
	Develop up the C&PS team strategy/ team charter to be clear on the ongoing role and purpose of C&PS including:			
	> Performance Objectives and expected Outcomes of the C&PS team; > Scope of Services provided by C&PS (including in scope/ out of scope); and > Key Performance Indicators for C&PS team.			
		High	CM/LR	Jul-16
Operating Model > Opportunity to achieve savings by either streamlining the role of C&PS team or by increasing the focus on more strategic procurement activities.	In our opinion there is an opportunity to implement efficiencies in the 'Procurement Procedure' stages of the project / contract lifecycle to allow C&PS to play a greater role in the 'Procurement Strategy' stages of the project life-cycle. In our view there are two key options in how City of Salisbury can leverage these efficiencies:			
	> Option 1 – Maintain existing role but reduce size: In our view one option is to maintain the structure and role of the team as it currently stands in terms of focusing predominantly on the 'procedure' stages of the project cycle. Given that much of the investment in terms of bedding the procurement processes has been largely achieved,	High	JH/CM/LR	Jul-16

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Observation	Recommendation	Priority (H/M/L)	Owner	Timing
	<p>then the current size of the team could be reduced if efficiencies were implemented; or</p> <p>> Option 2 – Greater focus on strategic procurement: In our view an alternative option is for C&PS team to continue its existing role in terms of facilitating the 'procedure' stages of the project cycle, but implement efficiencies and free up time so that it also play a greater role in the 'procurement strategy' stages of the project lifecycle. In this option C&PS can play a more strategic role in assisting management at early stages of the project / contract lifecycle with the aim of achieving greater cost savings and innovations.</p> <p>A hybrid option of the above may also be to adopt option 1 for the C&PS team and use the savings to recruit a senior commercial manager who sit as a member of the Executive Team reporting directly to the CEO. A Commercial Manager would not be in a Procurement Role though would play a much broader role in influencing and shaping the councils strategy, forward works program, business improvement program, and procurement strategies from a whole of council perspective with the goal of making the council more commercially and business savvy.</p> <p>Ultimately this is a business decision for City of Salisbury as each option encourages financial benefits for the council.</p>			

2.2 Accountability, Collaboration and Partnering

As outlined in our Executive Summary a key theme around our review was around increasing focus on more strategic procurement (as per Figure 1 in the Executive Summary) and increasing efficiency of the 'Procurement Procedure' stages of project/ contract lifecycle. To achieve this is not just simply about process improvements. From our experience this requires high levels of accountability amongst staff in terms of owning procurement outcomes, high levels of collaboration with C&PS and other parts of the organisation, greater sharing of information across the organisation, and early engagement of Executive during the procurement process.

In our experience organisations that are strong in the strategic procurement space have high levels of accountability and collaboration. In our view this is a key opportunity for City of Salisbury to improve procurement outcomes as shown below:

- > Higher levels of ownership from staff in terms of engaging with Executive and C&PS early in procurement process;
- > Increased collaboration between C&PS and other departments in the organisation at early stages in the project/ contract lifecycle;
- > Increased collaboration and ownership within the C&PS team to promote better working relationships and performance within the team;
- > Greater accountability for staff in terms of owning the acquisition planning process and reduced reliance on C&PS to review and check acquisition plans.

The following table summarises the key findings in this area of the report:

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Observation	Recommendations	Priority (H/M/L)	Owner	Timing
Collaboration and Partnering > Increased collaboration between C&PS and other departments in the organisation at early stages in the procurement process; and > Increased collaboration and ownership within the C&PS team to promote better working relationships and performance within the team.	C&PS team to undertake one on one coaching and mentoring using the Human Synergistics tools. Focus on relationship building and collaboration.	High	CM/LR	Sep16
	GM Business Excellence to play greater role in mentoring and supporting C&PS Manager around areas of personal growth, through regular one-on-ones and regular coaching and feedback.	Medium	CM	Ongoing
	Team building workshops within the C&PS team to address issues and strategies to improving ownership and collaboration within the C&PS team.	High	CM/LR	Sep16
	Partnering and Collaboration workshops conducted between C&PS and City Infrastructure to promote a more constructive working relationship covering; expectations of each other; agree on above the line behaviours; and agree as to what partnering looks like and its benefits.	High	CM/LR	Sep16
	Greater focus on performance improvement in C&PS team through improved team engagement and collaborative planning. This would include:	Low	LR	Sep16
	> Implement 90-day planning process every quarter and hold people accountable for delivery of key actions;			
Line Management Accountability > Higher levels of ownership from staff in terms of engaging with Executive and C&PS early in procurement process; > Increased collaboration between C&PS and	> Implement weekly stand up planning meeting (15 min brief session) to plan key priorities for the week;			
	> Define and report on Key Performance Indicators (KPIs) that will drive the right behaviours.			
	Executive to communicate expectations to staff around procurement roles and responsibilities, whilst holding staff accountable for the acquisition plans. The line manager responsible for the project should be the person accountable for ensuring the acquisition strategy meets probity requirements, maximises value for money, complies with council processes and minimises risk in the procurement. The role of C&PS in the acquisition plan should be to advise and consult, rather than reviewing and checking the	High	CM/JH	Jul16

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Observation	Recommendations	Priority (H/M/L)	Owner	Timing
other departments in the organisation at early stages of the procurement process; and	project manager's task completion. This may require up-skilling for staff in this area.			
> Greater accountability for staff in terms of owning the acquisition planning process and reduced reliance on C&PS to review and check acquisition plans.	Incorporate objectives and KPI's in each Executive's performance development plan around value for money outcomes within their business unit. Promote culture of continuous improvement around cost savings and commercial performance across the Executive team.	Medium	JH	Jul16

2.3 Systems and Processes

As discussed in the Executive Summary, over the last five years the City of Salisbury has focused its Commercial and Procurement function (C&PS) on enabling improvement in rigour over procurement activities across council. During this time there appears to have been a significant improvement in the level of rigour around the procurement process. Based on similar reviews we have undertaken with other councils the level of rigour at City of Salisbury was strong and reflects considerable investment made.

In our view the opportunity exists now to streamline the procurement procedures with the view to:

- > Make the process more user friendly and more efficient for staff;
- > Free up time and energy for the C&PS team to undertake more strategic activities; and
- > Streamline tendering process and make it more fit for purpose for contractors who are bidding for work with the City of Salisbury.

During our review we also identified opportunities to improve internal controls in terms of purchasing and noted a number of areas we felt from an audit perspective represent a risk to City of Salisbury. These have been outlined in our recommendations below.

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Observation	Recommendation	Priority (H/M/L)	Owner	Timing
Streamline System Workflows <ul style="list-style-type: none"> > Systems have a high number of embedded checks built into the procurement process that are greater than what we have seen in other organisations. > From our understanding at the time of raising a purchase order/ purchase requisition there are checks on cost centre access, contract sum, and Financial Delegation. > Whilst these are automated workflows we see it creates in-efficiencies maintaining the master-data and processes which sit behind these checks and slow down the process if the master-data is inaccurate. 	<p>Opportunity to simplify workflows on procurement activities to reduce time spent maintaining master-data around user access to GL accounts, contract limits, etc.</p> <p>In our experience with other organisations generally there are tight workflows around whether users have delegated authority to spend money through the purchase requisition process but there are not automated workflows to check that the user access to the cost centre or that there is contract sum available.</p> <p>On the surface these additional workflows appear to add value but in our opinion create in-efficiencies in terms of maintaining the master data to support the workflows, and interfaces between systems to ensure the master data is accurate. It also creates inefficiencies for staff where there are errors in the master data as they need to get this resolved before the progress with a purchase.</p> <p>We recommend retaining the workflows which ensure users have delegated authority to purchase, but reviewing some of the other workflows to streamline the process.</p>	Medium	LR/KG	Aug16
Streamline Tendering by making Fit for Purpose <ul style="list-style-type: none"> > Review use of tender documents and adopt a fit for purpose approach. For high risk tenders it makes sense for detailed tender documents to be used; however for low risk tenders or expressions of interest (EOI) the documentation requirements could be simplified. An example of this was the recent EOI for the Salisbury Water Business Unit which was released during a holiday period, gave respondents 8 days and required completing a 27 page response 	<p>Establish a business improvement project to review and streamline the tender documents. Particularly focus on:</p> <ul style="list-style-type: none"> > Ensuring all members of the organisation use the standard tender documents recommended by C&PS rather than older or alternative versions; > Streamlining the tender documents to make easier for both Council Staff but also bidders. Look for opportunities as to where tender documents or tender schedules can be streamlined particularly for low risk activities. > Provide training to C&PS staff and also council staff in how to use the tender documents and adopt a fit for purpose approach based on risk. For example an Expression of Interest which is low risk vs a complex high value tender. 	Low	LR	May16

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Observation	Recommendation	Priority	Owner	Timing
		(H/M/L)		
<p>schedule (which is unnecessary given it was only an EOI). The short timeframe and nature of the response required creates unnecessary work for council staff but also deters contractors from bidding for the work.</p> <p>> Tender documents contain errors or omissions from time to time.</p> <p>> Tender documents can be different between departments and lack consistency.</p>				

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Observation	Recommendation	Priority (H/M/L)	Owner	Timing
Streamline support documents > There is an extensive range of process and procedural documentation available however feedback from staff, particularly those who were not frequent users was that they found the tendering process difficult to understand. > Opportunity to consolidate and streamline support documentation.	Simplify and consolidate 'how to' documentation to support end users in how to manage a tender; raise purchase requisitions, etc. This can be achieved by consolidating some of the existing user support materials into a single procurement framework. An example of this has been provided to management to assist.	Low	LR	Sep16
Reduce tendering workload where practical > Opportunity to make better use of panel arrangements to promote efficiency. There are around 21 existing panel arrangements in place however they are not always used if staff don't feel they don't have the right supplier mix. > Opportunity to reduce number of acquisition plans required by consolidate similar procurements under single acquisition plan to drive value for money outcomes.	Encourage the use of panels to streamline procurement process particularly for routine service or operational contracts. If required, review and update panel participants to ensure the panels have the right mix of providers. Allow end users to group multiple similar procurements under single acquisition plan to reduce procurement effort where the risk does not change year on year.	Medium	LR	Jul16
Delegation Limits > Delegation limits are low compared with other like councils.	In our experience if delegation limits are too low it creates inefficiency as processes get slowed waiting on approvals. It is recommended that City of Salisbury undertake a review of delegation limits and raise delegations to improve efficiency of approvals. See Appendix B for benchmarks of similar Council delegations.	Medium	JH	Jan16
Streamline Acquisition Plan Approvals	Executive to communicate expectations to staff around procurement roles and responsibilities, and hold staff accountable for the acquisition plans. The line manager	High	LR	Jul16

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Observation	Recommendation	Priority (H/M/L)	Owner	Timing
<ul style="list-style-type: none"> > Process at acquisition plan is a bottleneck in the procurement process. > Greater accountability for staff in terms of owning the acquisition planning process and reduced reliance on C&PS to review and check acquisition plans. 	<p>responsible for the project should be the person accountable for ensuring the acquisition strategy meets probity requirements, maximises value for money, complies with council processes and minimises risk in the procurement. The role of C&PS in the acquisition plan should be to advise and consult, not to review and check what the project manager has done.</p> <p>It's also recommended that in situations where C&PS disagree with aspects of the Acquisition Plan that this is discussed and raised with the line manager prior to the acquisition plan being submitted to Executive. Ideally C&PS and the Line Manager should be aligned on the approach before the acquisition plan goes to Executive.</p> <p>Replace the risk assessment from Acquisition Plan as this focuses on project management risk rather than procurement risk. Suggest replacing this with a risk allocation table which focuses on getting the risk and reward allocation between Council and Contractors clear and helps improve the clarity for contractors and staff. This clarity if done well can result in significant cost savings to ensure contractors don't price in uncertainty on their contracts (see Appendix C).</p>			
		Medium	LR	Jun16
Internal Controls and Segregation of Duties	Enforce that Confirm System is no longer used for raising purchase orders.	High	CM	Aug16
<ul style="list-style-type: none"> > Confirm System is being used to purchase orders by some areas of City Infrastructure at the Operations Centre. This creates a significant gap in the internal control environment as Confirm is not subject to the same system access and auditing controls as Finance One therefore possessing a high threat in fraud. > Not all purchases occur with a purchase order 	Require all purchases must either have a Purchase Order in Finance One unless within threshold which can use credit card or trade account. This ensures all purchases are subject to controls over delegated authority and ensures that segregation of duties/systems access controls are upheld.	High	CM/KG	Aug16
	Block Access in Finance One for end users to raise a Purchase Order. Purchase orders should be raised by C&PS not end user.	High	KG	Aug16
	Block Access in Finance One for C&PS to raise a Purchase Requisition. C&PS personnel should not have access to raise a Purchase Requisition. Purchase requisitions should be	High	KG	Aug16

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Observation	Recommendation	Priority (H/M/L)	Owner	Timing
(under the thresholds, orders <\$1000 do not require a purchase order).	raised by end users to ensure they are subject to appropriate delegated authority.			
> There is a lack of segregation of duties through the procurement process. For example users can create both a Purchase Requisition and a Purchase Order for orders under \$10k, and C&PS have access to edit/update vendor master file (normally this is performed by Finance).	Transfer Access to update/edit Vendor Master File from C&PS To Finance Team. Ensure that whoever has this role in Finance does not also have access to raise Purchase Order and does not have any Accounts Payable access. This ensures that access to vendor details such as banking details is segregated from C&PS and Accounts Payable.	High	KG	Aug16
Systems and IT	Update IT Strategy to be clear on role of PCMS. Clarity required as to whether this is to be used as a Contracts Register or used more broadly as a Contract Management System across council.	Our understanding is this is being reviewed as part of the IT Program review.		
> Duplication of data and lack of integration, making the process non-user friendly.				
> Lack of agreement regarding the purpose and use of specific systems e.g. PCMS is not used across the organisation for ongoing contract management.	Review interfaces between Finance One, PCMS, and Confirm and look to remove, integrate or reduce interfaces wherever possible. Recommendation to keep interfaces simplified to reduce inefficiencies and reconciliation issues.			

2.4 Strategic Procurement

As discussed in our Executive Summary we see a key opportunity for City of Salisbury to have a greater focus on strategic procurement activities. Previously in the report we have presented Figure 1 as shown below to articulate this around increasing focus on strategic procurement activities.

This requires procurement acumen to be embedded as a core capability in the organisation both at Executive and Line management level. To achieve greater value for money and innovation; leaders need to have this capability as a core skill set, as leaders make decisions every day which impact on value for money outcomes. Such decisions range from preparing a budget, driving value for money procurement, developing the forward works program, engaging contractors, developing a project scope, purchasing goods and services, and managing contracts.

Ultimately to improve Strategic Procurement key staff will need to be up-skilled in procurement models, collaborative contracting, understanding risk and reward allocation, understanding rates and multipliers of contractors, understanding how fixed price models work, and understanding key contract qualifiers and assumptions.

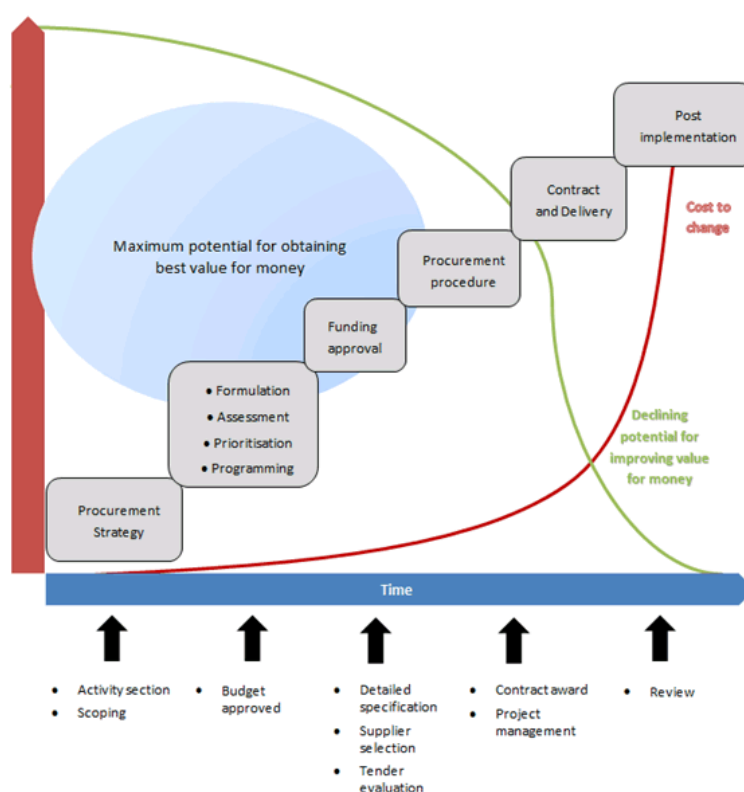


Figure 1. Project/Contract Lifecycle

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Observation	Recommendation	Priority (H/M/L)	Owner	Timing
Strategic Procurement Training > There is an opportunity to improve Strategic Procurement skills with Executive and Line Management around strategic procurement, innovation in procurement, procurement models, collaborative contracting, understanding risk and reward allocation, understanding rates and multipliers of contractors, understanding how fixed price models work, and understanding key contract qualifiers and assumptions.	Executive and Line Managers undertake strategic procurement training to up-skill their knowledge of strategic procurement, innovation in procurement, procurement models, collaborative contracting, understanding of risk and reward allocation, understanding rates and multipliers of contractors, understanding how fixed price models work, and understanding key contract qualifiers and assumptions. This will strengthen the procurement acumen at early stages in the procurement strategy and also to set expectations around accountability of management with regards to promoting value for money and commercial outcomes.	Medium	LR	Nov16
Risk Allocation > There is an opportunity to improve value for money outcomes by ensuring clear allocation of risk between contractors and council through the completion of a risk allocation table as part of acquisition plans and tenders.	Use of risk allocation tables in Acquisition Plans and tender documents. An example of a risk allocation table can be found below in Appendix C. Risk allocation tables clearly outline client and contractor responsibilities in managing risks, provide increased certainty and expectations about scope of work and ensures contract builds minimal contingencies into price	Medium	LR	Nov16
Early Engagement and Forward Works Planning > Budgets are prepared on an annual basis meaning time spent on front end loading activities such as procurement strategy, design and community consultation gets rushed at times. > Council is underspending on its capital works program each year with funding carrying over year on year. > Executive often not involved in decision making until the acquisition plan has been submitted. Lack of early engagement of both C&PS and Executive in major	Conduct a review of three year rolling forecast every quarter by Executive and key Manager representatives to review project priorities discuss procurement strategy and update cash-flows. This will promote greater focus on early planning activities such as procurement strategy; promote improved planning and cross council engagement and optimisation of council wide resourcing across Council. Key elements of this include: > Focus on major projects/contracts; > Include representatives from each business unit plus representations from C&PS, Finance and Community Engagement;	High	KG	Jul16

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Observation	Recommendation	Priority (H/M/L)	Owner	Timing
contracts and procurements. > Acquisition plans are submitted at the last minute with insufficient time for C&PS and Executive to review the plan and procurements being pushed or rushed through under pressure.	> Discussion around the procurement strategy, project scopes, design issues, and community concerns; and Update actual cash flows for projects and revise the current year and future two years forecasts to adjust for delays in project.			

2.5 Conclusion

Our observation was that over the past five years the C&PS team as needed to focus on the 'procurement procedure' stages in order to improve the level of rigour in the procurement process through development of policies, procedures, training materials and systems. This has included ensuring rigour over the acquisition planning, tender administration, purchasing and contract management processes. C&PS have played a key role in increasing this rigour and ensuring that there is adequate control over how staff procure goods and services.

Given that much of the rigour in the procurement process has already been established by City of Salisbury, our area of focus was more around improving efficiency of the procurement process and also opportunity to improve value for money outcomes through a more strategic focus on procurement activities at the early stages of a project / contract lifecycle. Our review thus identified the following key themes:

- > Improving efficiency and role clarity of the procurement process, and making it more user friendly for both internal and external stakeholders;
- > Earlier engagement of Executive by staff in the procurement process. For example engaging with Executive on strategic procurements well before the acquisition plan is submitted to obtain their input on the scope, design, key risks, procurement objectives, and procurement model;
- > Shift in C&PS focus from process and procedures, to strategic procurement activities. In our view by implementing some efficiencies there is an opportunity for C&PS to play a greater role in advising Executive in a proactive way at early stages in the project/ contract lifecycle and enabling strategic procurement outcomes;
- > Promoting greater accountability of staff around the procurement process; and
- > Improving internal control over procurement activities to reduce potential for fraud or misappropriation of funds. This is particularly the case in terms of being tighter around use of the finance system for raising of purchase requisitions and purchase orders.

We identified that much of C&PS time is taken up in the 'Procedure' stages of the project / contract lifecycle, and that the Acquisition Planning and Tendering stage is becoming a bottleneck both for C&PS and staff. In our opinion there is an opportunity to implement efficiencies in the 'Procedure' stages of the project / contract lifecycle to allow Executive and C&PS to play a greater role in the 'Strategy' stages of the project / contract lifecycle. This will allow for greater focus on design, project scope, procurement strategy, and project objectives early in the project to maximise value for money and innovation.

For this shift in focus to work key staff will need to be up-skilled in Strategic Procurement including alternative procurement models, collaborative contracting, understanding risk and reward allocation, understanding rates and multipliers of contractors, understanding how fixed price models work, and understanding key contract qualifiers and assumptions.

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Appendix A

Role Clarity Matrix for Procurement and
Contract Function

Role Clarity Matrix for Procurement and Contract function

The table below defines based on our experience who should be responsible for key steps in the process. The following acronyms are used:

- > R = The role or person who is responsible to undertake the activity.
- > A = The role or person who is ultimately responsible for the outcome of that activity. In some cases this can be the same as the person responsible but may be different where approvals, authority or accountability sits with a person who does not perform the task.
- > C = The person or person who should be kept in the loop or advised of the outcome of a particular task or activity.

Note the following table is based on who 'should' be responsible, accountable or consulted not based on the process as it stands. Where there is a difference between what is recommended and what currently stands this has been highlighted in the comments column.

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Key Task	C&PS	Finance	Staff	Line Manager	General Manager	CEO	Evaluation Team	Elected Members	Comment
Procurement Strategy									
Strategic Plan			C	C	AR	AR		AC	
Forward Works Planning			R	R	A	A		AC	
Pre-Feasibility – Design, Stakeholder Engagement			R	A	C	C			
Define Procurement and Project Objectives	C		R	A	C	C			
Annual Budget		C	R	R	A	A		AC	
Acquisition strategy: < \$100K short form Acq plan (optional)			R	A	C				
Acquisition strategy: > \$100K- <\$150K (mandated) Acq. Plan (GM approval)	C		R	A	C	C			Note: Greater ownership required around staff and line managers re the Acquisition Plan. Role of C&PS should only be to advise and consult.
Acquisition strategy: >\$150K (mandated executive)	C		R	R	A	A			
Tendering									
Prepare tender documents	C		RA	C					

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Key Task	C&PS	Finance	Staff	Line Manager	General Manager	CEO	Evaluation Team	Elected Members	Comment
Coordinate/market release	C		RA	C	C		C		
Enquiring during tender period	C		RA	C	C		C		
Close and receive tenders	C		RA				C		
Evaluate tenders	C		RA	C			RA		
Recommendation of preferred tender	C		R	R	A		R		
Contract documents	RA		C						
Purchasing									
Create Purchase Requisition			RA	A					C&PS should not raise purchase requisition – segregation of duties.
Obtain Quotes			R	A					
Create purchase order/works order	AR		C						Staff should not have access to Purchase Orders – segregation of duties.
Check invoices (rates and quantities)	C		RA						
Invoice Payment		RA			C				

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Key Task	C&PS	Finance	Staff	Line Manager	General Manager	CEO	Evaluation Team	Elected Members	Comment
Miscellaneous Purchasing									
Credit Card - Reconcile receipts to Credit Card Statement			R	A					
Credit Card – Reporting	R		C						
Pay Credit Card		RA							
Sundry purchases				RA					
Petty cash		C		RA					
Contract Management									
Contract start-up management	C		R	A	C				
Compliance (all documents)	C		R	A	C				
Communication plan (including managements/ongoing)	C		R	A	C				
Period contract review	C		R	A	C				

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Key Task	C&PS	Finance	Staff	Line Manager	General Manager	CEO	Evaluation Team	Elected Members	Comment
Administer contract	C		R	A	C				
Monitor WHS	C		R	A	C				
Variations (\$/EOT/SCOPE)	C		R	A	C				
Budget control		C	C		R				
Contract dispute	C		C	R	A	C			
Quality management	C		R	A	C				
Contract extension	C		R	A	C				
Practical/Final completion	C		R	A	C				
Process Support and Master-data Management									
Creditor master data		AR	C						C&PS should not update vendor master file as they also have access to purchase orders. This should be done by finance.
Panels/Contracts register	RA		C	C					

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Key Task	C&PS	Finance	Staff	Line Manager	General Manager	CEO	Evaluation Team	Elected Members	Comment
Set delegation of authority		R			C	C		A	
User access/ security		R	C	A	A				
Document management			R	A					
Training	R		C	A	C				
Templates/standard documents	RA			C	C				
User guides	RA			C	C				
Audits	C				C	AR		C	
Contracts Register	AR		C	C	C				
Continuous improvement	AR			C	C				



Appendix B

Procurement Delegations and Thresholds –
Benchmarking Against Other Organisations

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Procurement and Contract Review



Procurement Delegations and Thresholds								
Delegation (up to)	Salisbury	Adelaide	Charles Sturt	Onkaparinga	Tea Tree Gully	Unley	Murray Bridge	Whyalla
CEO	Full Delegated Budget	\$1M	\$4M	\$500K	\$500K		\$500K	\$200K
GM/Director/Exec Manager	\$150k	\$500K	\$250K	\$50K	\$250k	\$250K	\$200K	\$100K – \$150K
Business Unit Manager	\$50k	\$250K		\$30k	\$10k – \$50k	\$20K – \$50K	\$50K	\$40K – \$75K
Team Leaders	\$10 to \$50k	\$20K	Various	\$10k	\$1k – \$50k	\$5K	\$5K	\$5K
Requirement to Market								
Tender, Open or Select	>\$100k (through C&PS)	\$100K +	\$100K +	\$50K	\$50K	\$100K +	Open: \$200K+ Select: \$50K – \$200K	\$200K +
Written Quotes	\$20k - \$100k (3 written quotes) – High risk over \$50k needs Simple Acquisition Plan	\$50K – \$100K	\$1K – \$15K	\$10K – \$50k	\$10K – \$50K	\$30K – \$100K	\$10K – \$50K	\$100K – \$200K (3 written quotes)
Informal Quotes	\$5k-\$20k (2 written quotes)	\$2K – \$50K		\$10K	\$0 – \$10K	\$5K – \$30K	\$10K – \$50K	\$20K – \$100K (2 written quotes)
Direct Purchase	<\$5k direct to best advantage – written record	\$2K	\$3K	\$500 – \$10k	\$0 – \$10K	\$1K	\$10K	\$0 - \$20K



Appendix C

Example of a Risk Allocation Table

Risk Allocation Table

It is recommended that there should be a section in the scope of works which outlines how the risks are allocated between the Clients and the Service Provider. This assists the Service Provider in being clear about responsibilities and ensures they don't build unnecessary contingency into the price. It is also useful for building a strong relationship with the Service Provider to ensure expectations are clear.

Risk Description	Client	Service Provider
Budget over runs	<input type="checkbox"/>	<input type="checkbox"/>
Schedule over-runs	<input type="checkbox"/>	<input type="checkbox"/>
Failure to complete works to required specification or acceptable working standard	<input type="checkbox"/>	<input type="checkbox"/>
Defects liability- 12 months post construction	<input type="checkbox"/>	<input type="checkbox"/>
Injury claim or workers compensation claim from employee, sub-contractor or consultant	<input type="checkbox"/>	<input type="checkbox"/>
Non-compliance with legislative and appropriate standards	<input type="checkbox"/>	<input type="checkbox"/>
Damage the reputation or relationship with key stakeholders	<input type="checkbox"/>	<input type="checkbox"/>
Inadequate insurance or lack of coverage available	<input type="checkbox"/>	<input type="checkbox"/>
Litigation from sub-contractor during construction	<input type="checkbox"/>	<input type="checkbox"/>
Litigation from private citizen due accident, damage or incident during construction	<input type="checkbox"/>	<input type="checkbox"/>
Litigation from private citizen due accident, damage or incident post construction due to defect or design fault	<input type="checkbox"/>	<input type="checkbox"/>
Loss of key personnel	<input type="checkbox"/>	<input type="checkbox"/>
Failure of key systems	<input type="checkbox"/>	<input type="checkbox"/>
Others	<input type="checkbox"/>	<input type="checkbox"/>



Appendix D

Example of Draft Strategic Procurement
Training Agenda

Workshop: Strategic Procurement Training Workshop – Draft Agenda**Time:** Day 1: 9:00am – 4:45pm, Day 2: 9:00am – 12:00pm

Purpose: To gain a good understanding of the commercial practices which drive effective commercial performance of your service providers and your projects. To ensure you get better value for money from your service providers on your projects and operational services by understanding the commercial drivers of supplier and service provider behaviour. To consider alternative commercial practices that will drive value for money on your projects.

Day 1

Time	Item	Agenda Item	Presenter	Time allocated
0900	1.	Welcome	BRS	5 mins
0905	2.	Overview and purpose of the day	BRS	10 mins
0915	3.	Ground rules and expectations of the workshop	All	15 mins
		Discussion on current challenges		
0930	4.	Procurement planning: Part 1 – Understanding the different procurement methods and clarifying under which circumstances we should use each of them.	BRS	75 mins
		Hard money vs. Relationship contracts		
		Collaborative Contracts		
		Understanding the importance and techniques to correctly scope projects from a commercial perspective. Link to risk allocation		
		Designing the right commercial conditions from the start into the Tender documents and the Conditions of Contract.		
1045	5.	Morning Tea	All	15 mins
1100	6.	Procurement planning – Part 2 – Understanding the different procurement methods and clarifying under which circumstances we should use each of them.	BRS	15 mins
		Hard money vs. Relationship contracts		
		Understanding the importance and techniques to correctly scope projects from a commercial perspective. Link to risk allocation		
		Designing the right commercial conditions from the start into the Tender documents and the Conditions of Contract		
1115	7.	Balancing Risk and Reward - Matching the risk with the value of the services	BRS	60 mins
		Risk Allocation Table and de-risking a project		

Time	Item	Agenda Item	Presenter	Time allocated
		Delivering projects in a risk averse environment <i>Activity: Developing a risk allocation table for a project between you and service providers</i>		
1215	8.	Understanding pricing mechanisms and techniques used by service providers. Burden Rates and Project Margins How a consultant prices up a project How a constructor prices up a project The commercial drivers of service provider behaviour How to have commercial conversations with your service providers <i>Activity: How service providers develop pricing models for a project</i>	BRS	30 mins
1245	9.	Lunch	All	30 mins
1315	10.	Understanding pricing mechanisms and techniques used by service providers. Burden Rates and Project Margins How a consultant prices up a project How a constructor prices up a project The commercial drivers of service provider behaviour How to have commercial conversations with your service providers <i>Activity: How service providers develop pricing models for a project</i>	BRS	45 mins
1400	11.	Getting value for money from your service providers and establishing key result areas and key performance measures and other techniques to align contractor's performance with expectations Relationship contracting v Lump Sum and the types of key result areas for both <i>Activity: Case Study</i>	BRS	45 mins
1445	12.	Afternoon Tea	All	15 mins

Time	Item	Agenda Item	Presenter	Time allocated
1500	13.	Understanding Qualifiers and Assumptions – used by service providers Preventing contract overcharges and variations Providing clarity to service providers up front Contract terms <i>Activity: Qualifiers and Assumptions</i>	BRS	90 mins
1630	14.	Recap: Key Takeaways and Actions Recommendations to the Organisation Personal Takeaways Discussion on Day 2	All	15 mins
1645	15.	End of Day 1		

Day 2

Time	Item	Agenda Item	Presenter	Time allocated
0900	1.	Welcome	BRS	5 mins
0905	2.	Overview and purpose of the day and Recap of Day 1	BRS	15 mins
0920	3.	Project Governance Importance of Project Governance Setting up for Success Role Clarity Above the line <i>Activity: Project Governance</i>	BRS	40 mins
1000	4.	Morning Tea	All	10 mins
1010	5.	Managing variations and scope creep Understanding the drivers behind contract variations Minimising contract variations Managing scope creep Minimising the impact of variations when they arise Managing contracts vs. outcomes	BRS	60 mins
1110	6.	Defining Success What does a successful project look like? How do we utilise what we learnt today in delivering successful projects? Stop/Start Continue Exercise to capture key learnings and changes required within the South Australian Government around our approach to our service providers and projects.	BRS	40 mins
1150	7.	Recap: Key Takeaways and Actions Recommendations to the Organisation Personal Takeaways	All	10 mins

Procurement & Contract Review

Structure & Role

Observation	Recommendation	Management Response
<p>Role of C&PS</p> <ul style="list-style-type: none"> ➤ Need for greater clarity around roles and responsibilities through the procurement process. Role Clarity required in terms of who is accountable for procurement strategy, acquisition planning, delegations, purchase requisitions, purchase orders, contract management, master-data maintenance etc. ➤ C&PS teams time is taken up checking and verifying, on administrative and other operational tasks during the acquisition planning, tendering, purchasing and contract management stages of the process which prevents time being spent on more strategic activities. 	<p>Role clarity matrix and RACI for the procurement process to ensure clarity over who is accountable and responsible.</p> <p>Develop up the C&PS team strategy/ team charter to be clear on the ongoing role and purpose of C&PS including:</p> <ul style="list-style-type: none"> ➤ Performance Objectives and expected Outcomes of the C&PS team; ➤ Scope of Services provided by C&PS (including in scope/ out of scope); and ➤ Key Performance Indicators for C&PS team. 	<p>Completed as part of review (refer Appendix A in report)</p> <p>Existing charter in place but will need to be updated to reflect outcomes from the program review</p>
<p>Operating Model</p> <ul style="list-style-type: none"> ➤ Opportunity to achieve savings by either streamlining the role of C&PS team or by increasing the focus on more strategic procurement activities. 	<p>In our opinion there is an opportunity to implement efficiencies in the 'Procurement Procedure' stages of the project / contract lifecycle to allow C&PS to play a greater role in the 'Procurement Strategy' stages of the project life-cycle. In our view there are two key options in how City of Salisbury can leverage these efficiencies:</p> <ul style="list-style-type: none"> ➤ Option 1 – Maintain existing role but reduce size: In our view one option is to maintain the structure and role of the team as it currently stands in terms of focusing predominantly on the 'procedure' stages of the project cycle. Given that much of the investment in terms of bedding the procurement processes has been largely achieved, 	<p>The greater long term value will be derived from moving to a more strategic & commercial procurement focus while still ensuring the integrity of the system and processes is maintained so Council is not exposed to greater risks.</p> <p>Option 2 is the preferred model where resources are clearly aligned to the strategic outcomes and ensuring that operational procurement is still addressed.</p> <p>This structure will also entail a new manager role to encapsulate the commercial and strategic procurement skillset required to support the organisational and divisional change required to achieve the required</p>

Procurement & Contract Review

Structure & Role

	<p>then the current size of the team could be reduced if efficiencies were implemented; or</p> <ul style="list-style-type: none"> ➤ Option 2 – Greater focus on strategic procurement: In our view an alternative option is for C&PS team to continue its existing role in terms of facilitating the ‘procedure’ stages of the project cycle, but implement efficiencies and free up time so that it also play a greater role in the ‘procurement strategy’ stages of the project lifecycle. In this option C&PS can play a more strategic role in assisting management at early stages of the project / contract lifecycle with the aim of achieving greater cost savings and innovations. <p>A hybrid option of the above may also be to adopt option 1 for the C&PS team and use the savings to recruit a senior commercial manager who sit as a member of the Executive Team reporting directly to the CEO. A Commercial Manager would not be in a Procurement Role though would play a much broader role in influencing and shaping the councils strategy, forward works program, business improvement program, and procurement strategies from a whole of council perspective with the goal of making the council more commercially and business savvy.</p> <p>Ultimately this is a business decision for City of Salisbury as each option encourages financial benefits for the council.</p>	outcomes.
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Procurement & Contract Review

Accountability, Collaboration and Partnering

Observation	Recommendation	Management Response
Collaboration and Partnering <ul style="list-style-type: none"> ➤ Increased collaboration between C&PS and other departments in the organisation at early stages in the procurement process; and ➤ Increased collaboration and ownership within the C&PS team to promote better working relationships and performance within the team. 	<p>C&PS team to undertake one on one coaching and mentoring using the Human Synergistics tools. Focus on relationship building and collaboration.</p> <p>GM Business Excellence to play greater role in mentoring and supporting C&PS Manager around areas of personal growth, through regular one-on-ones and regular coaching and feedback.</p> <p>Team building workshops within the C&PS team to address issues and strategies to improving ownership and collaboration within the C&PS team.</p> <p>Partnering and Collaboration workshops conducted between C&PS and City Infrastructure to promote a more constructive working relationship covering; expectations of each other; agree on above the line behaviours; and agree as to what partnering looks like and its benefits.</p> <p>Greater focus on performance improvement in C&PS team through improved team engagement and collaborative planning. This would include:</p> <ul style="list-style-type: none"> ➤ Implement 90-day planning process every quarter and hold people accountable for delivery of key actions; ➤ Implement weekly stand up planning meeting (15 min brief session) to plan key priorities for the week; ➤ Define and report on Key Performance Indicators (KPIs) that will drive the right behaviours. 	<p>Support for the recommendations aligned to enhancing relationships and collaboration across the organization, in particular with City Infrastructure.</p> <p>Team development is also supported to ensure alignment with the strategic focus and revised roles.</p>

Procurement & Contract Review

Accountability, Collaboration and Partnering

Executive Management Accountability

- Higher levels of ownership from staff in terms of engaging with Executive and C&PS early in procurement process;
- Increased collaboration between C&PS and other departments in the organisation at early stages of the procurement process; and
- Greater accountability for staff in terms of owning the acquisition planning process and reduced reliance on C&PS to review and check acquisition plans.

Executive to communicate expectations to staff around procurement roles and responsibilities, whilst holding staff accountable for the acquisition plans. The line manager responsible for the project should be the person accountable for ensuring the acquisition strategy meets probity requirements, maximises value for money, complies with council processes and minimises risk in the procurement.

The role of C&PS in the acquisition plan should be to advise and consult, rather than reviewing and checking the project manager's task completion. This may require up-skilling for staff in this area.

Incorporate objectives and KPI's in each Executive's performance development plan around value for money outcomes within their business unit. Promote culture of continuous improvement around cost savings and commercial performance across the Executive team.

This recommendation aligns with the above set of recommendations and is supported.

Of note is the accountability and change in ownership of the acquisition plan (AP) process. The current arrangements see C&PS taking accountability for the AP above \$100k or high risk plans. It is proposed that this become the ownership of the relevant asset owner or divisional manager with support and advice from C&PS.

This change in ownership is aligned to the feedback and role clarity workshop undertaken and will provide for better understanding of roles and expectations.

Agreement to enhancing Executive KPI's in the PDP that need to be balanced with both commercial and community outcomes that reflect the environment we operate in.

Procurement & Contract Review

Systems & Processes

Observation	Recommendation	Management Response
Streamline System Workflows <ul style="list-style-type: none"> ➤ Systems have a high number of embedded checks built into the procurement process that are greater than what we have seen in other organisations. ➤ From our understanding at the time of raising a purchase order/ purchase requisition there are checks on cost centre access, contract sum, and Financial Delegation. ➤ Whilst these are automated workflows we see it creates in-efficiencies maintaining the master-data and processes which sit behind these checks and slow down the process if the master- data is inaccurate. 	<p>Opportunity to simplify workflows on procurement activities to reduce time spent maintaining master-data around user access to GL accounts, contract limits, etc.</p> <p>In our experience with other organisations generally there are tight workflows around whether users have delegated authority to spend money through the purchase requisition process but there are not automated workflows to check that the user access to the cost centre or that there is contract sum available.</p> <p>On the surface these additional workflows appear to add value but in our opinion create in-efficiencies in terms of maintaining the master data to support the workflows, and interfaces between systems to ensure the master data is accurate. It also creates inefficiencies for staff where there are errors in the master data as they need to get this resolved before the progress with a purchase. We recommend retaining the workflows which ensure users have delegated authority to purchase, but reviewing some of the other workflows to streamline the process.</p>	<p>Agreement with recommendations noting that this is seen as a High priority rather than the Medium identified in the report.</p>
Streamline Tendering by making Fit for Purpose <ul style="list-style-type: none"> ➤ Review use of tender documents and adopt a fit for purpose approach. For high risk tenders it makes sense for detailed tender documents to be used; however for low risk tenders or expressions of interest (EOI) the documentation requirements could be simplified. An example of this was the 	<p>Establish a business improvement project to review and streamline the tender documents. Particularly focus on:</p> <ul style="list-style-type: none"> ➤ Ensuring all members of the organisation use the standard tender documents recommended by C&PS rather than older or alternative versions; 	<p>Tender documents in use are based on LG standard templates and legal advice. It is acknowledged that some improvement can be made to the documents noting that the issues normally arise when the wrong template is used, eg a complex tender template is used for a low value/risk procurement.</p>

Procurement & Contract Review

Systems & Processes

<p>recent EOI for the Salisbury Water Business Unit which was released during a holiday period, gave respondents 8 days and</p> <ul style="list-style-type: none"> ➤ required completing a 27 page response schedule (which is unnecessary given it was only an EOI). The short timeframe and nature of the response required creates unnecessary work for council staff but also deters contractors from bidding for the work. ➤ Tender documents contain errors or omissions from time to time. ➤ Tender documents can be different between departments and lack consistency. 	<ul style="list-style-type: none"> ➤ Streamlining the tender documents to make easier for both Council Staff but also bidders. Look for opportunities as to where tender documents or tender schedules can be streamlined particularly for low risk activities. ➤ Provide training to C&PS staff and also council staff in how to use the tender documents and adopt a fit for purpose approach based on risk. For example an Expression of Interest which is low risk vs a complex high value tender. 	
<p>Streamline support documents</p> <ul style="list-style-type: none"> ➤ There is an extensive range of process and procedural documentation available however feedback from staff, particularly those who were not frequent users was that they found the tendering process difficult to understand. ➤ Opportunity to consolidate and streamline support documentation. 	<p>Simplify and consolidate 'how to' documentation to support end users in how to manage a tender; raise purchase requisitions, etc. This can be achieved by consolidating some of the existing user support materials into a single procurement framework. An example of this has been provided to management to assist.</p>	<p>Existing material is already relatively simplified but can be improved as one "package" of information.</p> <p>Increasing awareness of the document availability is also an important part of this process</p>
<p>Reduce tendering workload where practical</p> <ul style="list-style-type: none"> ➤ Opportunity to make better use of panel arrangements to promote efficiency. There are around 21 existing panel arrangements in place however they are not always used if staff don't feel they don't have the right supplier mix. ➤ Opportunity to reduce number of acquisition plans required by consolidate similar 	<p>Encourage the use of panels to streamline procurement process particularly for routine service or operational contracts. If required, review and update panel participants to ensure the panels have the right mix of providers.</p> <p>Allow end users to group multiple similar procurements</p>	<p>Council already has a number of panels both directly managed by Council or through other organisations. Their use is limited in some instances and further work is required to enhance their benefit to the organization.</p> <p>This is already progressing and will be continually</p>

Procurement & Contract Review

Systems & Processes

procurements under single acquisition plan to drive value for money outcomes	under single acquisition plan to reduce procurement effort where the risk does not change year on year.	enhanced as we progress to a more strategic focus where early involvement will identify such opportunities
Delegation Limits <ul style="list-style-type: none"> ➤ Delegation limits are low compared with other like councils. 	In our experience if delegation limits are too low it creates inefficiency as processes get slowed waiting on approvals. It is recommended that City of Salisbury undertake a review of delegation limits and raise delegations to improve efficiency of approvals. See Appendix B for benchmarks of similar Council delegations.	The current delegations although lower than other Council's in some instances appears to be appropriate and therefore the recommendation is not supported at this stage. The efficiencies are not a result of the delegation but more aligned to how staff use the current system and process.
Streamline Acquisition Plan Approvals Process at acquisition plan is a bottleneck in the procurement process. <ul style="list-style-type: none"> ➤ Greater accountability for staff in terms of owning the acquisition planning process and reduced reliance on C&PS to review and check acquisition plans. 	<p>Executive to communicate expectations to staff around procurement roles and responsibilities, and hold staff accountable for the acquisition plans. The line manager responsible for the project should be the person accountable for ensuring the acquisition strategy meets probity requirements, maximises value for money, complies with council processes and minimises risk in the procurement. The role of C&PS in the acquisition plan should be to advise and consult, not to review and check what the project manager has done.</p> <p>It's also recommended that in situations where C&PS disagree with aspects of the Acquisition Plan that this is discussed and raised with the line manager prior to the acquisition plan being submitted to Executive. Ideally C&PS and the Line Manager should be aligned on the approach before the acquisition plan goes to Executive.</p>	Agreed as noted previously re clarity of roles in the A process.

Procurement & Contract Review

Systems & Processes

	Replace the risk assessment from Acquisition Plan as this focuses on project management risk rather than procurement risk. Suggest replacing this with a risk allocation table which focuses on getting the risk and reward allocation between Council and Contractors clear and helps improve the clarity for contractors and staff. This clarity if done well can result in significant cost savings to ensure contractors don't price in uncertainty on their contracts (see Appendix C in report).	Agree with recommendation
Internal Controls and Segregation of Duties		
<ul style="list-style-type: none"> ➤ Confirm System is being used to purchase orders by some areas of City Infrastructure at the Operations Centre. This creates a significant gap in the internal control environment as Confirm is not subject to the same system access and auditing controls as Finance One therefore possessing a high threat in fraud. ➤ Not all purchases occur with a purchase order (under the thresholds, orders <\$1000 do not require a purchase order). ➤ There is a lack of segregation of duties through the procurement process. For example users can create both a Purchase Requisition and a Purchase Order for orders under \$10k, and C&PS have access to edit/update vendor master file (normally this is performed by Finance). 	<p>Enforce that Confirm System is no longer used for raising purchase orders.</p> <p>Require all purchases must either have a Purchase Order in Finance One unless within threshold which can use credit card or trade account. This ensures all purchases are subject to controls over delegated authority and ensures that segregation of duties/systems access controls are upheld.</p> <p>Block Access in Finance One for end users to raise a Purchase Order. Purchase orders should be raised by C&PS not end user.</p> <p>Block Access in Finance One for C&PS to raise a Purchase Requisition. C&PS personnel should not have access to raise a Purchase Requisition. Purchase requisitions should be raised by end users to ensure they are subject to appropriate delegated authority.</p> <p>Transfer Access to update/edit Vendor Master File from</p>	<p>Agree as a priority to resolve</p> <p>Agree (aligned with above)</p> <p>To discuss with Finance and C&PS staff as to impact change.</p> <p>To discuss with Finance and C&PS staff as to impact change</p> <p>To discuss with Finance and C&PS staff as to impact c</p>

Procurement & Contract Review

Systems & Processes

	C&PS To Finance Team. Ensure that whoever has this role in Finance does not also have access to raise Purchase Order and does not have any Accounts Payable access. This ensures that access to vendor details such as banking details is segregated from C&PS and Accounts Payable.	change
Systems and IT <ul style="list-style-type: none"> ➤ Duplication of data and lack of integration, making the process non-user friendly. ➤ Lack of agreement regarding the purpose and use of specific systems e.g. PCMS is not used across the organisation for ongoing contract management. 	<p>Update IT Strategy to be clear on role of PCMS. Clarity required as to whether this is to be used as a Contracts Register or used more broadly as a Contract Management System across council.</p> <p>Review interfaces between Finance One, PCMS, and Confirm and look to remove, integrate or reduce interfaces wherever possible. Recommendation to keep interfaces simplified to reduce inefficiencies and reconciliation issues.</p>	<p>Review of PCMS in progress which is also addressing its use for contract management</p> <p>Being considered as part of a broader review of how we deliver our applications across the organization from 'best of breed' approach to a more streamlined model.</p>

Procurement & Contract Review

Strategic Procurement

Observation	Recommendation	Management Response
Strategic Procurement Training <ul style="list-style-type: none"> ➤ There is an opportunity to improve Strategic Procurement skills with Executive and Line Management around strategic procurement, innovation in procurement, procurement models, collaborative contracting, understanding risk and reward allocation, understanding rates and multipliers of contractors, understanding how fixed price models work, and understanding key contract qualifiers and assumptions. 	<p>Executive and Line Managers undertake strategic procurement training to up- skill their knowledge of strategic procurement, innovation in procurement, procurement models, collaborative contracting, understanding of risk and reward allocation, understanding rates and multipliers of contractors, understanding how fixed price models work, and understanding key contract qualifiers and assumptions.</p> <p>This will strengthen the procurement acumen at early stages in the procurement strategy and also to set expectations around accountability of management with regards to promoting value for money and commercial outcomes.</p>	<p>This is seen as a high priority (Medium in report) as it is required to ensure we deliver the strategic procurement outcomes.</p>
Risk Allocation <ul style="list-style-type: none"> ➤ There is an opportunity to improve value for money outcomes by ensuring clear allocation of risk between contractors and council through the completion of a risk allocation table as part of acquisition plans and tenders. 	<p>Use of risk allocation tables in Acquisition Plans and tender documents. An example of a risk allocation table can be found below in Appendix C.</p> <p>Risk allocation tables clearly outline client and contractor responsibilities in managing risks, provide increased certainty and expectations about scope of work and ensures contract builds minimal contingencies into price</p>	<p>Agree</p>
Financially Engagement and Forward Works Planning <ul style="list-style-type: none"> ➤ Budgets are prepared on an annual basis meaning time spent on front end loading activities such as procurement strategy, design and community 	<p>Conduct a review of three year rolling forecast every quarter by Executive and key Manager representatives to review project priorities discuss procurement strategy and</p>	<p>Agree</p>

Procurement & Contract Review

Strategic Procurement

<p>consultation gets rushed at times.</p> <ul style="list-style-type: none"> ➤ Council is underspending on its capital works program each year with funding carrying over year on year. ➤ Executive often not involved in decision making until the acquisition plan has been submitted. Lack of early engagement of both C&PS and Executive in major contracts and procurements. ➤ Acquisition plans are submitted at the last minute with insufficient time for C&PS and Executive to review the plan and procurements being pushed or rushed through under pressure 	<p>update cash-flows.</p> <p>This will promote greater focus on early planning activities such as procurement strategy; promote improved planning and cross council engagement and optimisation of council wide resourcing across Council.</p> <p>Key elements of this include:</p> <ul style="list-style-type: none"> ➤ Focus on major projects/contracts; ➤ Include representatives from each business unit plus representations from C&PS, Finance and Community Engagement; ➤ Discussion around the procurement strategy, project scopes, design issues, and community concerns; and ➤ Update actual cash flows for projects and revise the current year and future two years forecasts to adjust for delays in project. 	
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PROGRAM REVIEW

Contract & Procurement Services

BACKGROUND PAPER

July 2015

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Corporate Context

Councils City Plan – *Sustainable Futures*, outlines the Vision, Values, Leadership Behaviours and Key Directions to achieve Councils goals.

Contract & Procurement Services (C&PS), through its role in supporting the creation of a constructive and sustainable culture and supporting the workforce is critical in supporting the organisation to achieve its City Plan deliverables.

Specifically, Contract & Procurement Services in main, deliver on *Key Direction 4, Achieving Excellence* and its objectives:

1. To deliver sustainable, creative and innovative solutions that enable excellent operations and service delivery; To have a workforce that is planned, dynamic and skilled that enables the organisation;
2. To achieve excellence;
3. To build an organisational culture and environment that is constructive, diverse and supports organisational wellbeing;
4. To ensure informed and transparent decision making that is accountable and legally compliant;
5. To apply business and resource management that enables excellent service delivery and financial sustainability; and
6. To provide our customers with excellent service that meets their needs.

The service delivery requirements have been informed from organisational need and expectation, and legislative requirement. This paper provides information on the current structure and operations of the Contract & Procurement Services Division, to deliver on the City Plan objectives.

Contract & Procurement Services has successfully completed a number of initiatives and business activities over the past 5 years, which contribute to the objectives in key direction 4, Achieving Excellence.

Legislative

The *Local Government Act 1999 (SA)* governs the way Councils' must conduct their procurement activities. The City of Salisbury Procurement Policy aligns with the requirements, providing direction on the objectives and principles (Refer Attachment 1).

In addition to the oversight of the procurement function by the Manager C&PS, Procurement is further monitored through internal audit review, and recently has undergone a full external Audit (Report January 2015), tabled to the Council Audit Committee. The rationale for the audit was driven by the introduction of the *Independent Commissioner Against Corruption Act 2012* and the greater emphasis on internal financial controls underpinned by the South Australian Local Government Financial Management Group's *Better Practice Model – Financial Internal Control for South Australian Councils*.

Council has adopted extensive procedures to minimise risks – including multiple approval points; electronic processes with automated workflows and auditing capability; delegations; conflict of interest declarations and management of tender and evaluation processes through Contracts & Procurement Services – to name a few.

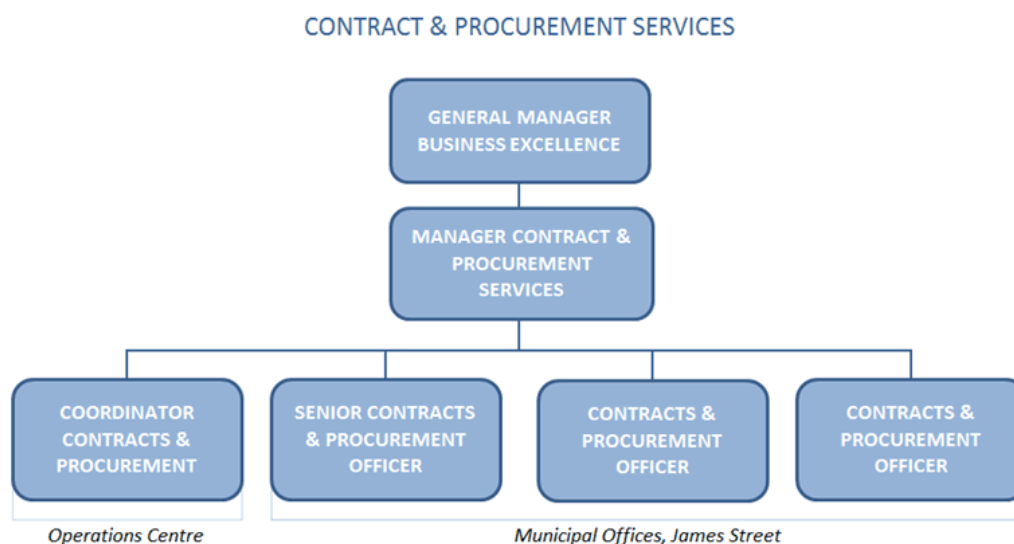
In addition audit and exception reporting is undertaken:

- Auditing the activity of officers who have the power to undertake procurement from time to time including by conducting random checks on purchases and actions;
- Ensuring documentation, policy and processes are regularly reviewed and updated.

- Ensuring understanding of the obligations under the ICAC Act in respect of the Gifts and Benefits Policy and Register; and
- Regular exception reporting provided weekly for assessment by the Manager C&PS.

Structure & Resources

Contract & Procurement Services is a centre-led model – with 4 personnel based at the Municipal Offices in James Street and the 1 staff based at the Operations Centre, at Cross Keys Road.



Contract & Procurement Services Operating & Capital Budget

Expenditure	2014-2015	2015-2016
Wages & Salaries – Procurement	\$313,900	\$311,000
Wages & Salaries – Procurement – oncosts	101,700	101,000
Wages & Salaries – Project Support Team ¹	72,900	75,200
Wages & Salaries – Project Support Team – oncosts ¹	23,700	24,400
Contractual Services	15,100	15,100
Materials	1,200	1,300
Depreciation	6,300	6,300
Other expenses	10,200	28,450
Procurement	\$448,400	\$463,150

¹ Wages, Salaries and on-costs for the Project Support Team are capitalized annually.

Procurement Services

Procurement at Council encompasses the entire continuum of acquiring goods, works or services. Land acquisition is not within the ambit of C&PS.

The overarching Procurement Policy (updated 27 January 2015) requires the procurement strategy for obtaining goods, works and services to be determined according to the estimated cost across the total life of the project; the nature of the procurement and the risk profile of the project.

The Contract & Procurement Services division at Council manages and provides the following key functions:

- Provision of advice on procurement projects, through planning, definition of the requirements, market research, and sourcing strategy;
- Assistance with the development of planning documents;
- Assistance with the drafting of the market and contractual documentation;
- Guidance/management of high risk procurement process;
- Oversight of all evaluation panels for procurement >\$100k;
- Management of Conflict of Interest declaration for tender processes > \$100k;
- Gap analysis of all procurement >\$100k and development of tender recommendation reports;
- Contract development advice and assistance with contractual documentation and contractual amendments;
- Assistance with the use of purchase orders and management of purchase cards;
- Assistance with exception reporting in conjunction with PCMS and Finance to monitor expenditure and process;
- Training of Council staff across procurement systems and processes, including training for all staff holding a Council financial or purchasing delegation; and
- Management of existing external arrangements (Council Solutions, Procurement Australia, LGA Procurement and State Government contracts).

This above list is not exhaustive, but demonstrates in general the broad nature of procurement duties undertaken by the division.

Procurement Statistics

Source: Process Statistics are derived from Open Windows Project Contract Management System (PCMS):

Procurement processes created in PCMS in the year 2014-2015

Direct Engagement	15
Expression of Interest	2
Not Assigned	19
Request for Proposal	12
Request for Public Tender	22
Request for Quote	10
Select Tender	26
Total	106

Contracts Awarded in the year 2014-2015

Contracts Awarded	235
Contract extensions exercised	126
Contracts completed	173

Spend Overview

Source: Spend Overview is taken from the ArcBlue Dashboards®

Period 1 July 2014 – 31 March 2015

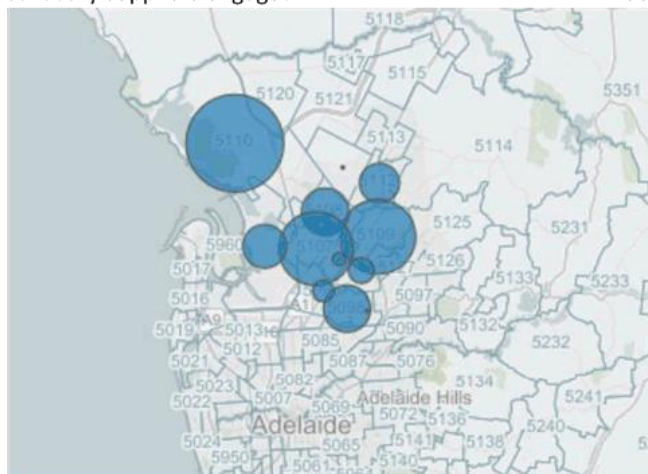
Procurement Spend - all \$55,161,353

Number of suppliers engaged 1,499

Subset:

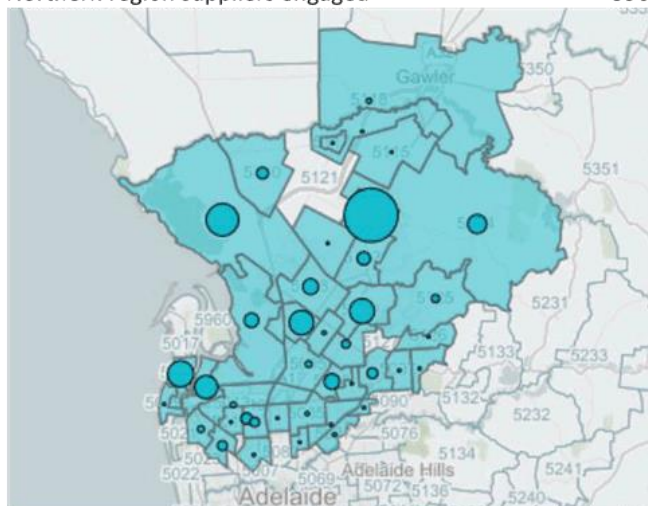
Procurement Spend – **Salisbury** \$8,600,918

Salisbury suppliers engaged 238

**Subset:**

Procurement Spend – **Northern Region** \$22,610,194

Northern region suppliers engaged 396

**Executive submissions considered for approval (>\$150K)**

Acquisition Plans 24

Tender Recommendations 34

Tender Recommendations (Out of session) 3

Training / Development

C&PS is responsible for delivering procurement system and process training across the organisation. Training is delivered in flexible delivery styles – from presentations, small training sessions, one-on-one, hands on training, guided videos – all supported by written manuals.

Key Systems – relative to Procurement

Open Windows Project Contract & Management System

Finance 1

ArcBlue Dashboard (used for data analysis) © *ArcBlue* 2015

Contracts & Procurement Services - Original Budgets

Bus Unit Oper Stat	2015/16	2016/17
01 - Wages & Salaries	409,900.00	425,600.00
05 - Contractual Services	15,100.00	15,100.00
09 - Materials	1,300.00	1,300.00
17 - Depreciation	6,300.00	6,300.00
25 - Other Expenses	4,650.00	11,070.00
29 - Internal Expenses	25,900.00	23,800.00
	463,150.00	483,170.00

Natural Account	2015/16	2016/17
3100 - Wages & Salaries	386,200.00	409,100.00
3105 - Wages & Salaries - Allowances	-	10,700.00
3116 - Cost Recovery-Timesheet Costing	-101,700.00	-105,400.00
3221 - Contractual Services (not elsewhere clas	15,000.00	15,000.00
3222 - Courier & Freight	100.00	100.00
3320 - Catering Expenses - External	300.00	300.00
3323 - Minor Equipment - Purchase	500.00	500.00
3327 - Print/Stationery - External Suppliers	500.00	500.00
3421 - FBT Expenses	-	6,000.00
3480 - Advertising & Promotion	500.00	300.00
3490 - Subscriptions	3,200.00	3,200.00
3491 - Professional Body Membership Fees	350.00	370.00
3502 - Parking & Cab Charge	300.00	300.00
3511 - Telephone Costs - Mobile	200.00	800.00
3583 - Credit Card Fees	100.00	100.00
3700 - Depreciation	6,300.00	6,300.00
4010 - Wages & Salaries - On Cost	125,400.00	132,600.00
4030 - Vehicle/Machinery Hire - Internal	18,700.00	16,600.00
4060 - Catering - Internal Charges	300.00	300.00
4135 - IT Leasing (PCs) - Internal Charges	2,900.00	2,900.00
4190 - Network Printer Charges	4,000.00	4,000.00
	463,150.00	483,170.00