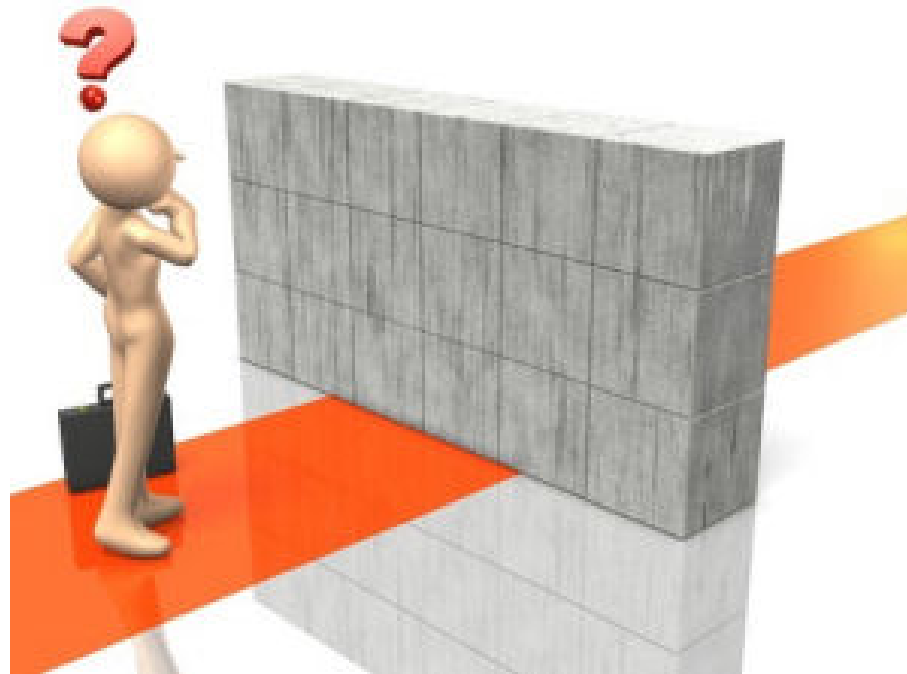


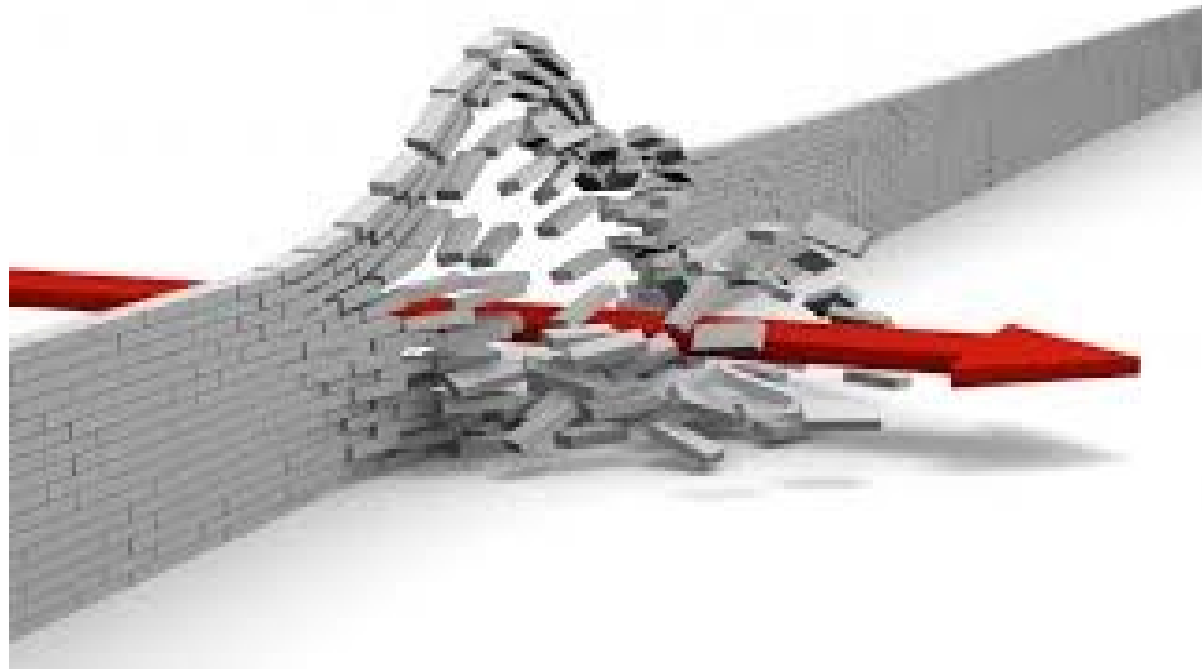
Strategic Procurement in Local Government

**Experience
Learnings
Opportunities**

Strategic Procurement in Local Government



Strategic Procurement in Local Government



Branches of the Same Bank





Branches of the Same Bank



Common Services



Competitors?



LG Procurement Strategy 2008

Ernst & Young

Key Findings

- \$2.7b pa
- Mainly Roads & Infrastructure
- Some good Procurement, but limited
- Low Procurement capability
- Little evidence of coordinated Procurement
- Better Procurement could save \$180-350m

79 Councils
= \$2.2m - \$4.4m each



LG Procurement Strategy 2008

- 2009 Victorian State Government funded **Procurement Review**
- Gap analysis
- Procurement development plans
- Stimulated sector networking
 - Regional Procurement Networks formed
 - **Eastern Regional Network**
 - Seven Councils
 - Information sharing
 - **Local collaboration**

Collaboration Journey

Information sharing
Category reviews
Collaborative Tendering

| | | | |
|--------------------------------|-----------------------------|-------------------------------|-----------------------|
| Detailed Facility Studies | Utility Management Services | Supplier Verification Systems | Food Testing Services |
| Energy Performance Contracts | Tree Pruning | Traffic Management | Street Furniture |
| Road condition Survey Services | Bushland Maintenance | Tree Stock Supply | Food Services |
| Line Marking | Facility Management | Graffiti Management System | |

Collaboration Example

Pavement Line Marking

| Single | Collaborative |
|---|--|
| <p>\$106,000 average pa. Nine separate tenders Same suppliers Individual specs</p> <p>Same process, Same outcomes.</p> | <p>\$960,000 pa Nine Councils, Three regions Increased competition New suppliers Shared learnings. Lower engagement costs. Stronger negotiation. More options, discounts. 14% Saving = \$134,000 pa, Increased innovation.</p> <p>Different process, Different outcome.</p> |

Collaboration Learnings

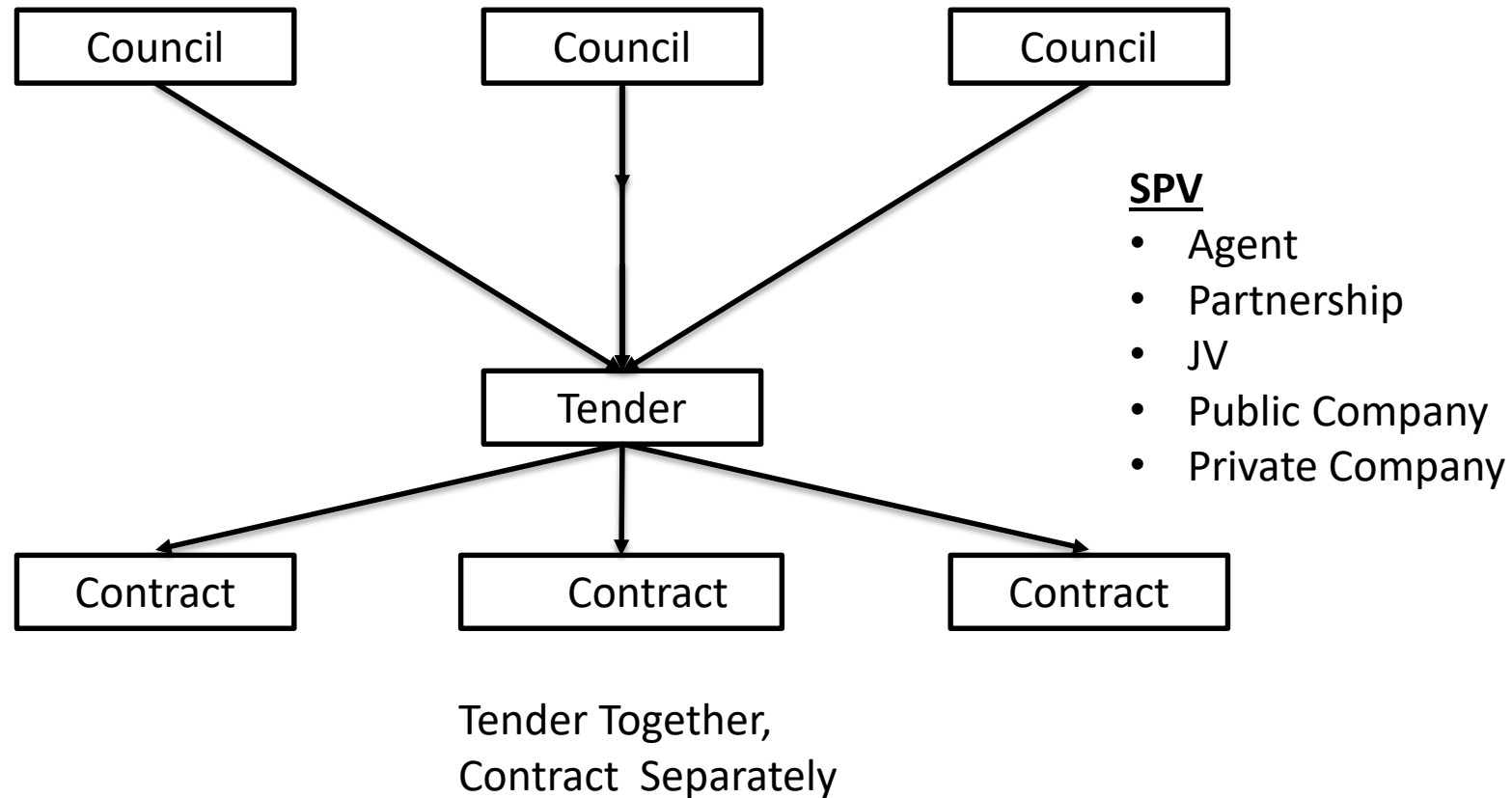
Procurement 101

- Category selection Complexity, Spend, No. Suppliers
- Internal review The W's
- External review Capacity, Porters 5F's Competition, New Entrants,
Supplier & Customer Power,
Substitutes

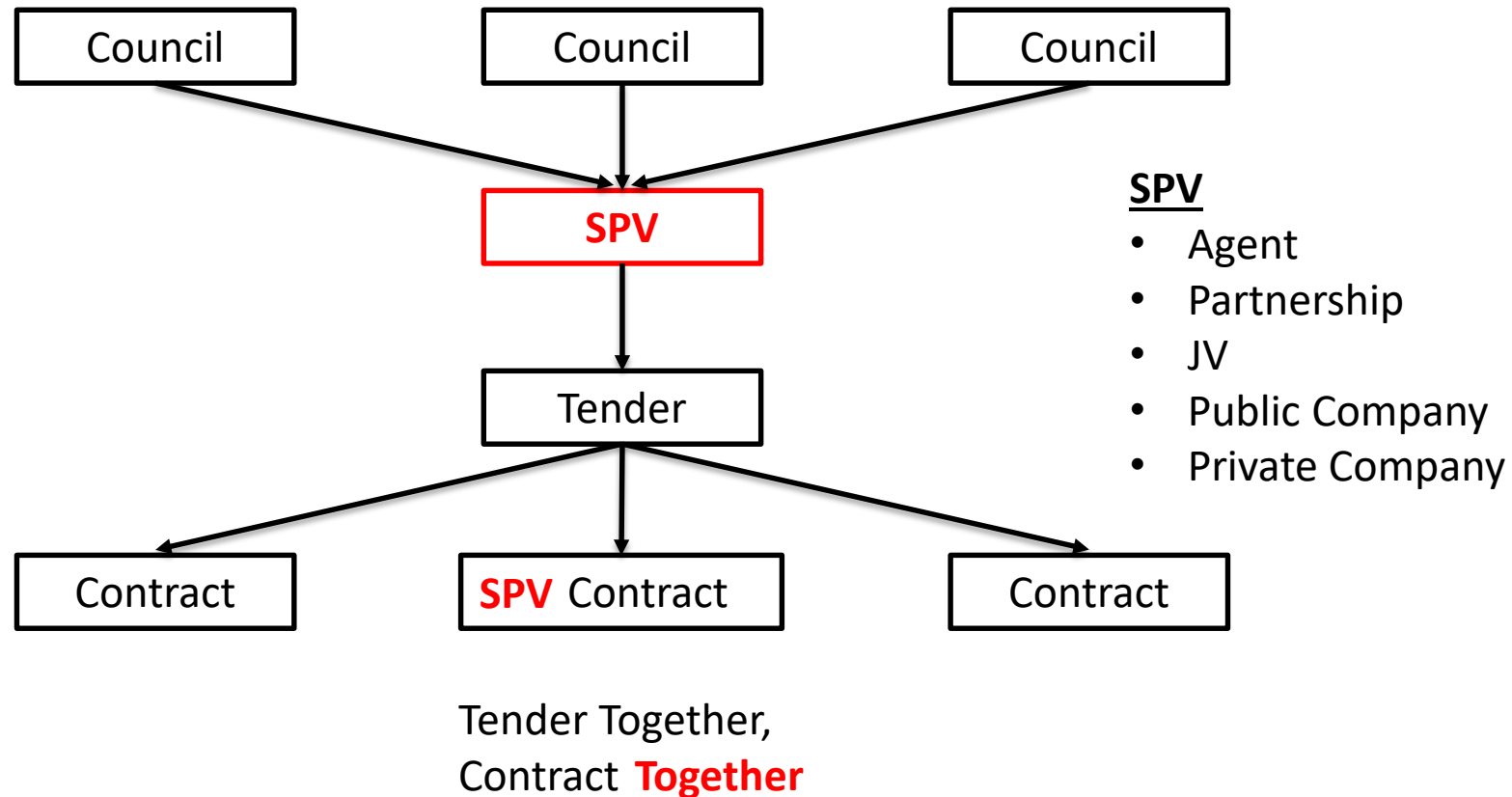
Key Learnings

- Allow enough time
- Senior Management Commitment
- Supplier Communication & Early Engagement
- Independent Expert
- Stakeholder Management, listen with risk management approach

Opportunities: Current Collaboration Model

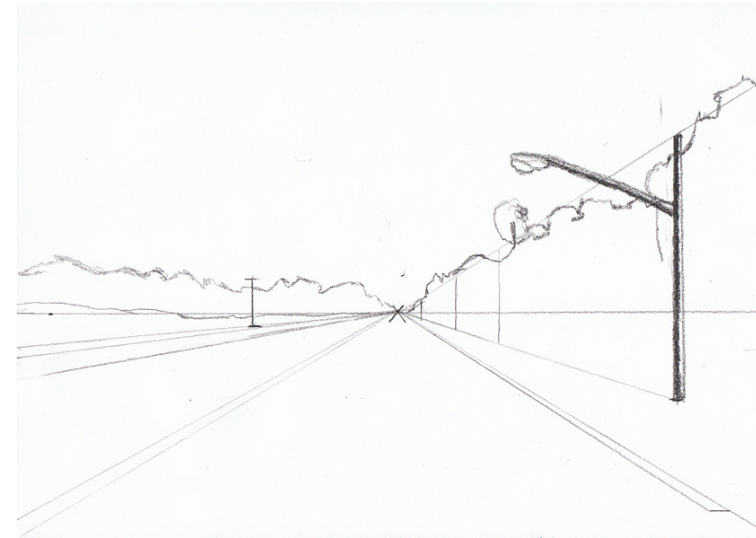
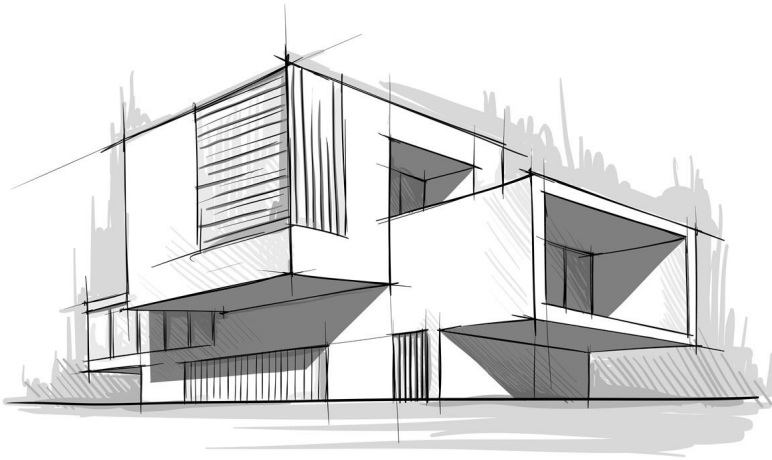


Opportunities: **New** Collaboration Model



Other Opportunities

Performance Contracts



Strategic Procurement in Local Government

Learnings Opportunities

Allow Time

Senior Commitment

Independent expert

Listen & manage Risk

Tender Together, Contract Separately



Tender Together, **SPV** Contract Together

Performance Contracts