Introduction to the MAV LEAP Program

Enabling Better Practice Procurement

16 February 2017
Cameron Spence
Manager Commercial Services
Why the LEAP program?

“On average, Council procurement spend represents 40% - 60% of overall expenditure. It is commonly greater than salary expenditure.” ArcBlue Benchmarking 2014.

“the adoption of better practice procurement across the sector has the potential to yield annual savings in the order of $180-350 million per annum” Ernst & Young, Local Government Procurement Strategy 2008
The MAV LEAP Program

- A continuous improvement program designed to assist organisations, regions and sectors to:
  - Achieve and demonstrate sustainable savings and value for money
  - Transform procurement from transactional to strategic
  - Support local and regional economic development
  - Identify and pursue shared services opportunities
  - Improve probity management and compliance
  - Improve organisational and sector capability
What is included in the LEAP Program?

**Local**
- Ongoing spend & opportunity analysis
- Dashboards
- Capability and maturity assessments
- Workshops
- LEAP Development Plan

**Regional**
- Workshops
- Benchmarking
- Collaboration
- Regional LEAP Development Plan

**Sector-wide**
- Category events & communities of practice
- Annual Procurement Conference
- Targeted training
- Guidelines, Tools and Tips Development
- Sector-wide contracts
- Advocacy support

**Dashboards & Data Updates**
LEAP Program Participation

Councils 35

Regions 2

1. Banyule City Council
2. Bass Coast Shire Shire Council (GLGN)
3. Baw Baw Shire Council (GLGN)
4. Bayside City Council
5. Brimbank City Council
6. Casey City Council
7. City of Greater Dandenong
8. Darebin City Council
9. East Gippsland Shire Council (GLGN)
10. City of Greater Geelong
11. Hume City Council
12. Indigo Shire Council
13. Knox City Council
14. Latrobe City Council (GLGN)
15. Manningham City Council
16. Melbourne City Council
17. Moira Shire Council
18. Monash City Council
19. Moreland City Council
20. Nillumbik Shire Council
21. South Gippsland Shire Council (GLGN)
22. Stonnington City Council
23. Surf Coast Shire Council
24. Wellington Shire Council (GLGN)
25. Yarra City Council
26. Golden Plains Shire
27. Cardinia Shire Council
28. Warrnambool City Council
29. Colac Otway Shire Council
30. Mitchell Shire Council
31. Shepparton City Council
32. Strathbogie Shire Council
33. Whittlesea City Council
34. Warrnambool City Council
35. Wyndham City Council
LEAP is Ongoing Continuous Improvement

**Year One**
- **Establish**
  
  Establish and introduce the principles of LEAP across the Organisation

**Year Two**
- **Embed**
  
  Embed and commence delivery on your Organisations LEAP commitments

**Year Three**
- **Grow**
  
  Grow your Organisation through the delivery of your LEAP commitments
LEAP Program Inputs

Overview

The LEAP Maturity Assessment is designed to be completed by the Procurement Lead of each Council. It is strongly recommended that you invite relevant stakeholders and Procurement team members to complete this questionnaire. Please ensure the information you provide is accurate.

Thank you for taking the time to complete this short questionnaire on procurement practices. Your feedback helps inform the current organisational review of Procurement.

1. In our organisation, we have a good understanding of how we spend money and who we spend it on.
2. Procurement is carefully planned at the earliest stages of a project.
3. We have the right data available to support good procurement management.
4. We have the right technology systems available to support our current contract management practices.

Please provide the name of your Council:

Start survey

Strategy

ArcBlue Analytics - Spend Data Request Template

Please provide the following information to the head of your organisation.

1. Spend Data
   - Category
   - Subcategory
   - Description
   - Amount
2. Creditor/Supplier Master List
   - Name
   - Address
   - Contact Person
   - Contact Details
3. General profiling data
   - Customer name
   - Contact person
   - Email
   - Phone
   - Role

Overview

Procurement Stakeholder Survey

MAV PROCUREMENT LEAP PROGRAM

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Start survey
Overview Dashboard...

OVERVIEW DASHBOARD
Dashboard shows an overview of total spend, top suppliers and categories, percentage under PO and trends over time.

Filter shelf
Unselect “All” first

Year
(All)

PO Type
(All)

Capex/Opex
(All)

Source System
(All)

Category
(All)

Sub Category
(All)

Supplier Name
(All)

Account
(All)

- Amount
- No of suppliers

Spend Overview

- Top Categories
- Top Suppliers
- FY Breakdown
Category Dashboard...

**CATEGORY DASHBOARD**
Dashboard shows spend by category. Click on any category to drill down to sub category level

<table>
<thead>
<tr>
<th>Category</th>
<th>Total spend</th>
<th>No of suppliers</th>
<th>No of POs</th>
<th>Average per supplier</th>
<th>No of transactions</th>
<th>Average per transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction and operations</td>
<td>$224,252,717</td>
<td>1,445</td>
<td>8,346</td>
<td>$155,192</td>
<td>54,017</td>
<td>$4,152</td>
</tr>
<tr>
<td>Roads</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Waste management and landfill</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Repairs and maintenance</td>
<td></td>
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<tr>
<td>Plant and vehicles</td>
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<tr>
<td>Parks and gardens</td>
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<tr>
<td>Energy and utilities</td>
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<tr>
<td>IT and telecoms</td>
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<tr>
<td>HR services</td>
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<tr>
<td>Insurance</td>
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<tr>
<td>Business services</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Cleaning</td>
<td></td>
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<td></td>
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<tr>
<td>Advertising and media</td>
<td></td>
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<tr>
<td>Community support and events</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Office related supplies and services</td>
<td></td>
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</tr>
</tbody>
</table>

**Sub Category**

<table>
<thead>
<tr>
<th>Sub Category</th>
<th>No of suppliers</th>
<th>No of POs</th>
<th>No of transactions</th>
<th>% of Total Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building construction materials and serv</td>
<td>28</td>
<td>140</td>
<td>426</td>
<td>18.52%</td>
<td>$41,525,598</td>
</tr>
<tr>
<td>Road building services</td>
<td>28</td>
<td>493</td>
<td>4,535</td>
<td>16.52%</td>
<td>$37,054,301</td>
</tr>
<tr>
<td>Waste collection and disposal</td>
<td>13</td>
<td>106</td>
<td>567</td>
<td>9.90%</td>
<td>$22,208,200</td>
</tr>
<tr>
<td>Drilling and boring and piling services</td>
<td>2</td>
<td>8</td>
<td>66</td>
<td>4.77%</td>
<td>$10,699,670</td>
</tr>
<tr>
<td>Electricity</td>
<td>4</td>
<td>142</td>
<td>3,708</td>
<td>3.51%</td>
<td>$7,873,489</td>
</tr>
<tr>
<td>Landscaping services and supplies</td>
<td>21</td>
<td>744</td>
<td>2,577</td>
<td>2.91%</td>
<td>$6,522,184</td>
</tr>
</tbody>
</table>

What the screen shows

- Category & sub-category
- Spend/suppliers / transactions /
- percentage spend

Category Options

- Investigate sub-categories
- Target areas with unexpected high number of suppliers
- Review spend by date / business area
Supplier Dashboard...

What the screen shows
- Full supplier summary
- Category Options
  - Examine supplier transactions
  - Ensure high value suppliers have management
  - View suppliers with high transaction volumes and discuss methods of improving efficiency
  - Check suppliers with no PO
  - Use single supplier dashboard if detail is needed on a supplier
What the screen shows
- Spend by payment location

Category Options
- Support local procurement policy and local economic development
- Investigate non local spend and target appropriate categories to increase local spend
Transactions Dashboard...

**What the screen shows**
- Payment volume / amount by standard levels
- Payment effort by payment amount per supplier

**Category Options**
- Target large volume low value suppliers for process efficiency improvements
- Identify inefficient or infrequently used suppliers and set appropriate strategies for payments (p cards or period invoices)
Trends Dashboard...

What the screen shows

- Payment volume and amount across a period
- Can be filtered by categories and sub-categories

Category Options

- Identify patterns of spend for waste and inefficiency
- Consider budget review for high graph start position followed by dip and High graph finish position
**Contracts Dashboard...**

**What the screen shows**
- Suppliers by contract number
- Category spend under contract and off contract
- Suppliers spend by contract and off contract

**Category Options**
- verify “Contract Unknown”
- Review suppliers who appear to have high off-contract spend
- Investigate categories with high off-contract spend
- Investigate opportunities for increasing spend under contract
- Filter by Divisions etc
Shared LEAP Council Summary...

- Top Categories
- Top Suppliers
- FY Breakdown
Sector trends and emerging initiatives
What are our sector spend trends ...

- High levels of low value transactions
- High numbers of suppliers in key categories
- A large number of key suppliers working across a number of Councils
- Majority of spend with small number of high value suppliers
- Long tail of unmanaged spend with low value invoices
- An increase in spend in the last month of financial year
Procurement by the Numbers (24 councils)

- $1.7 billion in FY2014/15
- 32,569 active suppliers
- $366 million with 20 suppliers across all 24 councils (>20%)
- ~25% of suppliers were used only once
- 480,000 transactions processed (avg. 20k per council)
- 340,000 transactions value below $1,000 (>70%)
- 88% of spend in Victoria
- 17% to 37% of spend within municipality
Procurement by the Numbers (24 councils)

Top 10 Categories (79.1%)
1. Roads (16.4%)
2. Construction & Operations (14.0%)
3. Waste Management (10.4%)
4. Parks and Gardens (8.5%)
5. Community Support and Events (6.1%)
6. Repairs and Maintenance (5.3%)
7. Energy and Utilities (5.0%)
8. Plant and Vehicles (4.6%)
9. HR Services (4.5%)
10. IT and Telecommunications (4.3%)
What initiatives are emerging across Councils / Regions ...

- Establishing Procurement Steering Groups
- P Card programs for operational efficiency
- Standardising documents
- Proactive category management
- Capability development & training programs - eLearning
- Supplier relationship management
- Exploring Panel opportunities
- Integration of activities with professional bodies e.g. IPWEA
What can be achieved through a regional approach
Region Procurement LEAP Program - Objectives and Process

Program Objectives:

- **Make savings and create efficiencies** by sustainably reducing the cost of goods, services and infrastructure sourced through external suppliers.
- **Stimulate economic activity** across the Region through providing broader opportunities for local suppliers of the goods, services and infrastructure.
- **Provide a structured governance model** to strengthen on-going collaboration and regional cooperation.

![Diagram of the LEAP Program process](image-url)
What can be achieved …
Gippsland Local Government Network
Year 1

- Terms of Reference drafted for the region;
- Governance Model established, document drafted and signed off by CEO group;
- Regional resource business case drafted for the region;
- Regional dashboards provided to enable sharing of data and opportunity analysis;
- Regional Workshops conducted and priority contracts program established, including savings and action plan;
- Year 2 focus on regional contracts in key categories:
  - Cleaning
  - Road resealing
  - Line marking
What can be achieved ...

The Barossa Region

<table>
<thead>
<tr>
<th>Barossa Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Councils</td>
</tr>
<tr>
<td>Procurement Spend</td>
</tr>
<tr>
<td>Regional Spend</td>
</tr>
<tr>
<td>Total no. of suppliers</td>
</tr>
<tr>
<td>No. of local suppliers</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Regional Procurement Shared Service</td>
</tr>
</tbody>
</table>

5% savings target

>$1,000,000 saved in first 18 months

1% increase in local/regional spend

Agreed priority regional contracts delivered:

- Regional Building Maintenance/ Trade Services Panel
- Audit Services
- Road Re-Seal Program
- Stationery
- Line Marking
The MAV LEAP Program is designed to help!

- Delivering and demonstrating savings, value and productivity improvements
- Data-based decision-making
- Taking a structured approach
- Building the right skills and capacity
- Balancing commercial and community
- Delivering the real benefits of collaboration
MAV Procurement Update
Birth of municipal bond market for local councils

In a landmark deal that gives birth to a municipal bond market in Australia, 30 local councils in Victoria have launched a $200 million bond, the country’s first aggregated funding vehicle for local government.

The pricing is more attractive than rates offered by bank loans. ANZ issued a five-year note on Wednesday at a margin of 85 basis points, 10 basis points higher than the LGFV’s indicative price for the same term.

"We have brought together a group that benefit from strong credit profiles themselves, but perhaps lack the scale required to efficiently access capital markets themselves," said Rob Kenna, CBA’s head of debt capital markets origination.

“$1 billion is not outside the realms of possibility — in four or five years’ time you might be able to see that easily”
Steve Lambert, NAB Executive General Manager for Debt Markets (16-Oct-14)

“The ratings reflect Moody’s assessment of the very strong credit quality of the participating local councils”
Moody’s Investor Services (16-Oct-14)
The LGFV provides an aggregation model for Councils to access debt capital markets.

Security over Council rates, a stable source of revenue, independent of economic activity.

Structural and liquidity enhancements with LGFV Governance Board oversight.

Security over LGFV’s loans to the Councils, with no historical default by a Victorian Council.

5 Year Loans
16 Councils
Borrowing $108.7m

7 Year Loans
15 Councils
Borrowing $131.4m

10 Year Loans
16 Councils
Borrowing $100m

Future Council Borrowing Program

Local Government Funding Vehicle (LGFV)

5 Year Bond Series 2014-1
Due 2019

7 Year Bond Series 2014-2
Due 2021

10 Year Bond Series 2016-1
Due 2026

Ongoing Bond issuance

Moody’s Credit Rating - Aa2

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Local Government Funding Vehicle

- 2016 issuance
  - $100 million on behalf of 16 councils ($340 million now issued)
  - 3.97% 10 year fixed interest, interest only

- 2017 EOI responses have been slow
  - $25 million on behalf of 15 councils
  - Potential for additional $50 million+ from metro council
  - Currently reviewing option to re-tap existing 2026 line

Sector wide council support is the key to the ongoing success of the LGFV
MAV Procurement Planned Tenders 2017

- Parks and Playground Equipment
- Software for PDF File Management, Plan Mark-up and Management
- Civil Works: Roads & Bridges and Road Resurfacing (NPN)
- Solar Rates program to assist low income households
- Major Roads Energy Efficient Street Lighting
- Library Management System / SWIFT
- Fuel and Lubricants (NPN)
- Electricity and Natural Gas
- Bill Payment Services
- General Hardware (NPN)
- Microsoft Software Licensing
- Investment Management Services (MAV Insurance)
MAV Training Program ...

- eLearning
  - Procurement essentials
  - Contract management essentials
  - Probity for purchasing and procurement

- Full suite of procurement and contract management courses available

- Council in–house options

- Councillor Development Program
  - Understanding council finances
  - Procurement essentials for elected representatives
Questions